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ROYAL COMMISSION  
ON  
CANADA'S ECONOMIC PROSPECTS

HEARINGS

HELD AT

OTTAWA, ONTARIO

MARCH 7, 1956

VOLUME 44







OTTAWA, ONTARIO,  
Wednesday, March 7, 1956.

APPEARANCES:

Mr. E. C. Gill, President of  
Canadian Life Insurance Officers  
Association.

Mr. R. H. Reid, Executive Vice-  
President, London Life Insurance Co.

Mr. H. L. Guy, General Manager,  
The Mutual Life Assurance Co. of  
Canada.

Mr. E. R. Alexander, Vice-President  
and Treasurer, Sun Life Assurance  
of Canada.

Mr. W. J. Farmery, Vice-President  
and Chief Investment Officer,  
Confederation Life.

Mr. Brooke Claxton, Q.C.,  
Vice-President, Metropolitan  
Life Insurance Company.

Mr. L. M. Foster, Q.C., General Manager,  
Canadian Life Insurance Officers  
Association.

----- Also, in order to  
cover the income tax  
THE CHAIRMAN: Will we come to order  
now, please? First of all, we would all like to  
thank you for this very impressive submission. We  
recognize that a great many high priced man hours  
went into its composition and it includes a lot of  
information which we were most anxious to have and  
we are extremely grateful to all of you. We will  
mark your submission Exhibit 253, and, Mr. Gill,  
if you would just start off, we are ready.

MR. GILL: Mr. Chairman and Commissioners,  
I would start off with a broad summary of how this has  
been done. Would you like us to stand, Mr. Chairman?

Matthews, who THE CHAIRMAN: No, no reason to stand.  
The only people who find it more convenient to stand





are lawyers and professors. They can't think sitting down.

MR. GILL: Well, Mr. Chairman and Commissioners, when the arrangement was made with you and your Commission to have life insurance companies submit a brief as an industry, we gathered a committee together through the Life Officers, Mr. Guy of the Mutual Life and Mr. Reid of the London Life and I were joint chairmen. We had on our committee three financial vice-presidents or assistant general managers and treasurers as the work dealing with your commission was interested particularly in the impact of life insurance on the industrial market of the future and so Mr. Alexander of the Sun Life, Mr. Farmery of Confederation Life and Mr. Bower of the Great-West were members of the Committee. Also, in order to cover the insurance end of the brief very thoroughly, we have had Mr. Hill, Vice-President and Managing Director of the Crown Life, and Mr. George Holmes, then Vice-President, now President, Manufacturers Life, and Mr. Brooke Claxton in charge of the Canadian head office of Metropolitan and we also had Mr. Green of the Prudential, Mr. E. L. Armstrong of the Standard Life representing the British companies and Mr. W. M. Anderson of the North American Life. We also have for our link with the Dominion Investment Association, Mr. Ross Poyntz of the Imperial Life, Mr. Jules Fortin, present head of the Association, Mr. Bruce Matthews, who could not be here today and who is President of the Excelsior Life and he is also a member





of our committee; so out of 14 on the committee there are nine or ten here today.

I would like with your permission to read from our brief only the introductory section, two and a half pages. The work of preparation of the brief was done very thoroughly in the life offices under Mr. Leighton Foster and his associates and various sections were given to different companies and sub-committees were created of the main committees to prepare certain sections.

When it comes to answering questions, if it is all right, Mr. Chairman, to follow your note of informality, we have selected ahead of time, certain people to lead off in answering certain questions but we would all feel free to chip in and give other comments.

The life insurance industry is a co-operative of life officers. At the same time it is thoroughly independent and for each 20 members on the committee we sometimes have 20 different views but there will be certain general views and certain other views or comments. We will answer questions rather informally on that basis.

To the Chairman and Members of the Royal Commission on Canada's Economic Prospects:

This submission is presented on behalf of the Canadian Life Insurance Officers Association, a voluntary organization consisting of 76 Canadian and non-Canadian life insurance companies carrying on business in Canada. These companies today have in





force \$26 billion of life insurance representing upwards of 99 percent of the total life insurance (excluding fraternal benefit insurance) owned by some 6½ million Canadians. At present they invest or reinvest each year about \$600 million in Canada on behalf of their policyholders. The companies are listed at the end of this submission together with the names of the members of the Special Committee that prepared this submission and of the Officers of the Association.

Life insurance is a great co-operative enterprise in Canada and the business is operated without the benefit of any direct or indirect government subsidy. It is co-operative because, in the case of mutual companies with more than one-third of the business, all profits arising from excess interest earnings, favourable mortality, etcetera, are paid to or held for policyholders; and, in the case of Canadian companies with shareholders, more than three-quarters of their business has been written on participating plans and the law requires that a minimum of 90 percent to 97½ percent of profits distributed on such plans must go to the holders of such policies.

Life insurance is a major source of personal and family security for most Canadians. It not only contributes to a higher standard of living by protecting against loss of income through death, old age, accident or sickness; it is also a most effective instrument in mobilizing the small-unit savings of many individuals and channelling them into the capital



market. This latter function is doubtless the main field of interest to the Commission.

A large proportion of these individual, small-unit savers are wage earners, salaried and professional people most of whom are not in a position to invest their savings directly in the capital market. However, they can and do entrust their savings to institutions like the life insurance companies that use them in the essential development of Canada. These savings have played an important part in the rapid capital development in Canada in recent years.

Given price stability and a free economy, there is no apparent reason why life insurance companies should not continue indefinitely to mobilize the small savings of the Canadian people in the increasingly important way forecast later in this submission. However, these two considerations are so basic that it seems desirable to emphasize them here notwithstanding that they are covered more fully in Chapter IV.

Public confidence in the reasonable stability of the dollar must be maintained if the willingness of Canadians to save is to be preserved. It is believed that that confidence would be seriously impaired, for example, by any system of money management that involves "controlled inflation" as a basis for continuing good business and employment.

Governments must continue to be guided by the philosophy that the best interests of Canada are served by a free enterprise system. Private business cannot prosper in the face of subsidized government





competition. Pressures to deny this philosophy are particularly apparent in the social welfare field.

The place of life insurance in the social and economic life of Canada and how the business has developed down through the years is described in some detail in the first chapters in this submission. Chapter I deals with the insurance operations of the companies and Chapter II with their investment operations. The third chapter deals with insured and non-insured pension plans. The material in these three chapters is largely confined to the past and present. Chapters IV and V relate to the future and deal with the economic prospects and the growth of the life insurance business.

It is of interest to note that business of Canadian life companies in force outside Canada about equals the business of British, United States and Netherlands life insurance companies in force in Canada. Canadian companies had \$7,179 million life insurance in force outside of Canada at the end of 1954. Non-Canadian companies had \$7,369 million in force in Canada. This coincidence should be kept in mind in using the figures in this submission. Wherever possible, figures relate to the business in Canada of all companies. However, in a few instances, figures relate to the global business of Canadian companies.

The officers of the life insurance companies are greatly interested in the long-term economic prospects of Canada and in continued improvement in standards of living. The public hearings of the Commission have been closely followed by them. The invitation to appear and





present this submission is greatly appreciated. It is hoped that the facts and figures and views set forth will prove of real interest and value to the Commission.

Now, Mr. Chairman and gentlemen, that is all I propose to read at this time unless you have any other wishes. The table of contents at the beginning of the brief breaks down the contents in a little more detail than the reference at the bottom of the introduction that I read but beyond saying again that we have brought members of the committee representing very broadly the industry both Canadian and American companies, both stock and mutual companies, companies with home offices in all the provinces where there are home offices, I have no further comment, Mr. Chairman.

THE CHAIRMAN: Thank you very much, Mr. Gill. You emphasize at the beginning of your introduction and again on pages 52 to 58 the very great importance which you attach to the question of price stability and I would not think that any thinking person would question the desirability of maintaining a stable price level and confidence in the currency but there is the question as to whether in practice this is likely to be accomplished and if I may, I would like to discuss this for a minute or two and then perhaps we might all get into the discussion because it is certainly of very vital importance. But to introduce the subject, it seems to me that we are all agreed that governments are pledged to



fulfill their higher employment policies and many people believe that that is possible of attainment. In fact, as you imply, a good many people are now more concerned about the long term possibilities of inflation in the years to come than they are about unemployment on any substantial scale. There are factors which give rise to this questioning. In the first place, there is a continuation of persistent pressure of organized labour which is a factor. Organized labour believes that a continuous rise in wage rates is desirable not only in their own interests but in everybody's interests and in their submission to this Commission last week they made that very plain, that they thought that was a contribution which they were making to the general welfare in getting wage rates up.

I suppose to the extent that the unorganized classes in our society get left behind in our race -- and I mean the farmers, pensioners, teachers civil servants, the retired people and so on -- we can expect that from time to time the governments will come to their aid which can mean measures which will be inflationary whether we agree with them or not, and finally, as has been said, ours is not a closed economy and what happens in the United States will have an impact and more or less immediate repercussion in this country.

You suggest on page 58 that we should work closely with the United States and I presume that we should work closely to convince them of what they





should do, but in practice it is probably a good thing to remind ourselves occasionally that there are only 16 million of us and there are 160 million of them and it is just not too reasonable to expect that they are going to be influenced unduly by our views and wishes.

Now, I think you are entitled to say that this may be a defeatist attitude to take on this question of price stability and maybe it is. It is certainly not wishful thinking, but I think the question we would like you to discuss and as you suggested at the beginning, if people would be willing to give their personal views, I think it would be more helpful than a consensus. The question we would like to ask is, do you believe that the long term trend of prices will be a constant or a declining one, or do you expect that the various factors I have mentioned and various other factors which I have not, will in effect mean that the trend will be upward?

MR. GILL: Mr. Chairman, I wonder if I might suggest that Mr. Claxton might speak to this in the first instance and then any of us will chip in.

MR. CLAXTON: Mr. Chairman, if I may accept Mr. Gill's invitation, I should begin, I suppose, by saying as practically every witness has done who has appeared before you, that I am not an economist. You have your own staff of economists.

THE CHAIRMAN: They are all here and they are looking for guidance.

MR. CLAXTON: I think it is the view of





the life insurance industry as we have discussed it that it is possible and even probable that we will have relatively stable prices. We start out with the fact that in the last four years the retail price index has changed less than one percent and if you look at the chart that follows page 54 -- table 10, you will see there a chart which I understand is well known, showing the trend of wholesale prices back to the year 1790.

Generally speaking the only big raises have occurred during wars and until this last war the experience has been generally that after the war there was a decrease in prices almost as great as the increase was during the war. After the Second World War there was pretty effective price control, during the war for a good part of it anyway, and then a very marked inflation towards the end and after it. There has been very little in the way of subsequent decline. The reasons, we suggest, for that, are the fact that the war really did not end; it passed into the stage of the cold war and the Korean War with great demands for goods -- also that the controls exercised during the war were so effective that they suppressed or retarded demands for goods which were made immediately after the war and then too, there was the great increase in production due to technological factors and these and other factors led to prices being maintain<sup>ed</sup> at just about the post war peaks. There have been slight declines in Canada and the United States but no decline so far in Britain.





Now, it is our view that the factors which result in inflation are numerous, but probably the most important of all is a non-monetary and almost non-economic one. It is the vital ingredient of confidence. The indications are that despite the warnings expressed in the annual speeches of almost all the presidents of almost all the banks and financial institutions of Canada on the dangers and possibilities of inflation, the people are still showing their confidence in the stability of the dollar by making very large savings in various forms. I have had it suggested to me -- I don't know if it is true -- that today the Canadian people are saving more than ever before, and probably more than any other country.

One of the forms in which this saving is made is life insurance and it is quite a striking factor that the year 1954 was slightly better than the year 1953 for the industry as a whole. My recollection is that in new insurance issued in 1954 the entire Canadian industry improved its position over 1953 by about 7 to 8 percent -- 7.7 percent, I think it was. So that for life insurance business, unlike other business, 1954 was the best year yet.

However, in 1955 the industry issued in new business about 13 percent, making one of the greatest percentage increases in the history of the business. I don't know what the experience of the other companies is but certainly in our company the figure we have up to February 20th shows we are



running at a percentage rate almost twice that of 1954 - quite a most marked increase over any period of the company's 82 years in Canada. So that this indicates -- if it indicates anything -- that the people are relatively prosperous, that they have money today and they are prepared to save it and to save it in life insurance. So I would suggest that the ingredient of confidence is present and the fact that both the governmental agencies, the Bank of Canada and the banks and financial institutions are uttering words of caution and that the Bank of Canada is taking from time to time such measures as it considers desirable to control credit, is, I think, a very hopeful sign indeed. I think it is true to say too, that both the governmental agencies and financial institutions know a great deal more about controlling the economy and can apply brakes pretty effectively in good time. That has been shown, I suppose, three or four times since the end of the Second World War with salutary results in this country at least.

Speaking now for myself and the company I represent, our feeling is quite strongly held that inflation is not necessary, that it is, of course, exceedingly undesirable, that it can be controlled and that measures to control it are partly the instruments of public opinion and partly the device of control of credit exercised by government.

I think answering the question you raised as to wages, if we have a continuation of an increase in Gross National Product or in physical production anything like we have had since the war, in the last ten





years and combined with that an increase in population of whatever it is running at -- about 2, 2½ percent -- one of the highest in the western world, one of the highest in the history of Canada, it is entirely likely that the combination of an increase in production will be sufficient to fit the increase in consumption due to increase in population and due to increase in wages and I would suggest that an increase of anything like the level we have had, an increase of, I think, over 7 percent in physical production last year, gives latitude for a continuation of wage increases and a steady increase in the level of the standard of living of the entire population providing those wage increases are not pressed to unreasonable limits but that there is the possibility, the probability of our having a very marked, steady, progressive increase in the standard of living of the whole country without inflation.

THE CHAIRMAN: Well, thank you, Mr. Claxton. On the chart itself which was used partly to support that theory on historical grounds, I suppose also on historical grounds we can interpret the chart to mean there is going to be a terrible drop in prices?

MR. CLAXTON: I would not think that was likely.

THE CHAIRMAN: Well, Mr. Gill, can we assume that everybody agrees with Mr. Claxton?

MR. CLAXTON: That would be impossible.

MR. GILL: I am sure there must be eight other shades of opinion. I don't know whether anybody wants to make a comment on that.





MR. GUY: Mr. Chairman, I might comment.

I agree fully with what Mr. Claxton said. The only thing I would say is as mentioned early in the submission made, in the opening remarks, that we were an open economy, that we are influenced to a good degree by what happens in the country to the south of us. They have shown in recent years an ability to control the price level, as Mr. Claxton says. We feel our greatest hope for stability in prices, again as he said, is this factor of proximity and I would think we have been very fortunate in this country that we have had able people responsible for our monetary policy. The central bank has made real progress in compartmentalizing savings through their annual Savings Bonds drives and sophisticated investors are by their savings bonds investment, protected against price fluctuation and that makes for greater flexibility and adjusting interest rates in the public interest to check the inflationary trend. They have also developed an active bill market in this country and all those are very hopeful signs, but, as Mr. Claxton said, there is need for public co-operation in all these things and that is why in the section of our brief on this subject we have suggested consideration for continuous education in this field because while you can have moderate price rises, if they continue long enough, eventually, I believe, people are liable to flee from the currency unit to other forms of savings and when that time comes no one knows and it is a very dangerous thing and we feel it is a very important



item in our country's future.

MR. GRAUER: I don't think anybody would disagree with the sort of full employment economy that we have had on the whole since the end of the war and that we could have a rising standard of living for everybody. Where the possibility of disagreement would come is if there is going to be this sweet reasonableness on the part of all the different groups who have claims upon the national income. We can assume that in general the life insurance companies accept that on the whole the various groups, as they may be called -- the various groups whose normal tendency is to look at things from their own point of view, will be reasonable. We have had it put to us as the Chairman indicated, that there should be quite a great expansion of the welfare programme, that old age pensions should be increased with a very heavy financial charge, that there should be a health insurance plan introduced and pretty much in general, all the welfare programmes in existence should be liberalized -- there should be, for instance, housing expenditures made for low income groups, subsidy housing, groups with large families and pensioners, and there seems to be no feeling that any particular priority was necessary, that all this could be super-imposed upon the full employment economy without anything untoward happening. The only tangible suggestion we got as to where the money could come from for all of this is that the defense programme could be cut back which is not the policy of the present government so far as I know on the platform of any of the political parties. So it really





gets back to the question of degree, to what extent do you feel that this co-operative attitude, as Mr. Guy called it, must be achieved.

Now, the brief does speak of the agitation of the public to see that it is attained. It seems to me that something like that would be very important in the whole picture. Does your industry have any articulated views on what might be done in the way of educating various parts of our society in the significance of this trend we are discussing?

MR. GUY: Were you asking me, Mr. Grauer?

MR. CLAXTON: This is a subject which has not been allocated. I don't want to get out of turn. Since it does arise, perhaps I might have a shot at it. The insurance companies have over a number of years, done quite a lot of what is called institutional advertising as an industry. I think it has been in the thought of some members of the industry that that institutional advertising by the industry as a whole might be extended so as to deal with questions such as Mr. Grauer has raised and help to bring it home to people how necessary it is our economy be kept on a level keel. Personally, having had something to do with the Queen's Park Proposals several years ago, I remember the atmosphere in which they were put in. We worked then from 1943 on until they were presented to the province in August 1945 and at that time the best advice available of the Federal Government was that there would be a very sharp depression, not of very lengthy extent, after the war and there was very good





historical reason for it and other reasons now indicated. Consequently, Family Allowances which I had the pleasure of introducing, were suggested originally and primarily as a financial principle to distribute and maintain purchasing power. Health insurance was regarded to some extent in the same way. Its expectations were not suggested. One of the reasons was the tremendous speed with which the economy got demobilized from the wartime to peacetime basis -- faster in Canada than any other country, so that the productive capacity of the conversion of goods was built up and the delayed appetite for new goods was met and our economy got off to a very good start and I think it was a very fortunate thing that we did not have more of a bump approximating a depression at that time and personally I would credit a great deal of the prosperity of Canada, closing the gap between Canada and the United States to the fact that we reduced our debts and reduced taxes all at the same time. If that policy which has been so successful in the last ten years now reverses and we go in for further increases on social security payments, subsidy housing and other benefits without having them based on increased production then we will lose at least part of the advantages of the really very successful operations of our economy since the war. It seems to me it is very desirable that all people who have a stake in the future of our country -- and that includes a very large number of people who have life insurance, some 7 million of them -- should recognize that



improvements in our standard of living, our wages and social security must be based on production and it is part of the responsibility of all of us, I suggest, to bring this out. To answer again Mr. Grauer's question, I think it is true to say that so far as the Canadian Life Insurance Officers Association is concerned, it has not offered to extend its advertising policy but more people have been thinking about it.

MR. GRAUER: It was in view of the widespread ownership of life insurance and the fact that people who own life insurance are particularly concerned with the problem we have been discussing that I was interested in what educational programme you did have. You seem to be in a very fine position to put on an educational campaign. I think it is usually through institutional advertising so far.

MR. CLAXTON: So far and the publicity given to the annual reports and the speeches of the presidents and general managers of the companies.

MR. GRAUER: No doubt the speeches would have a great deal of information but I doubt if the annual reports would.

MR. CLAXTON: I think some of the companies distribute copies to all of their policyholders.

MR. STEWART: Mr. Claxton, you mentioned the fact that over the past four years we seem to have achieved relative stability in price. The other day there was rather convincing evidence put before us that this had been achieved largely as a result of a decline





in the wholesale index on vegetable and animal products reflecting a decline in farm prices and that having that in mind there was in fact a very substantial increase in the wholesale price on other products. Now, that is not a very healthy situation, I presume.

MR. CLAXTON: I was not aware from my experience at the chain stores of any decline in the price of food.

MR. STEWART: This is at the wholesale level.

THE CHAIRMAN: Do you do your own purchasing now, Mr. Claxton?

MR. CLAXTON: Now that I have Saturdays off I do.

MR. STEWART: I would like to come back to that point in a minute but the other point I would like to observe on is that since we started our hearings down east, we have seen the reports on the planned investment programmes of businesses for next year. This is presumably the intentions of business people in the light of wage demands, in the light of pressures for social services and so on but surely this is a very significant factor in the stability of prices. So that these pressures can come from other sources than the demands for higher wages and social securities plans. Now, coming back to the point that you picked up with regard to retail prices, it seems to me in listening to a good deal of the discussions we have heard that today the idea of competition in prices is





passee, it is socially indecent to talk about cutting prices. It seems to me, is this not so, that if we talk of stability of prices, some prices are likely to rise? Therefore, if we want stability of prices, some price per unit must come down. Now, if that is so, then one of the significant factors, very significant factors I would think, would be this general attitude, if it is so -- and I would like your comments on it if it is so -- that we just do not think in terms of price competition today and that everybody is against it.

MR. CLAXTON: I have just returned from my first visit to Florida and I find that is so. We don't think in terms of price judging from the prices the hotels charge. In fact, the whole economy of that part of the world is an utter disregard for all prices of every kind. But I do think there is something in what you suggest that prices are ceasing to be so important in people's thinking because of the quantity of money they have to spend and they look more and more for additional qualities or features or colour and the producers, of course, have to compete to provide this colour and that larger price cost per unit is maintained at a pretty low level.

MR. GRAUER: It seems to me if you follow that reasoning, therefore the various prices will go up in the highly organized economy and those that come down will be in the poorly organized areas and the state will have to step in to dole out the food to the poorly organized sectors of our economy so you wind up with the



trend towards inflation. However, it all depends upon the rate of increased productivity and the reasonableness of the various groups.

MR. GILL: It is a very, very involved problem, Mr. Chairman. I suppose our greatest field must depend upon the tremendous mass production power of the North American continent. Whether it is enough or not no one can really tell but whether it relies on the full production, you only have to get an over-production for a short time and there will be a lot of sane thinking, and I don't mean a recession but just a slight over-supply, a few percentage points over-supply seems to have a tremendous effect -- far more important than the percentage would seem to indicate but all the powers that you mention are certainly present and it is a very complicated question. We tried to emphasize that with 7 million policyholders being government bond holders everybody has at least a reasonable stability of the dollar.

MR. GUY: Isn't it true that you feel the consumer is durable, to a certain degree, to competition? As I look at my television screen, I see advertisements at cut rates on electrical appliances and things of that kind. Doesn't that flow from the increased productive resources we have and the tendency to cut prices in this field?

THE CHAIRMAN: Well the main item in the field in consumer durables is automobiles and I have not noticed any great reduction in the price of automobiles since the war.





MR. CLAXTON: Not in the list price.

The big reduction in the price of automobiles occurred in the second hand market. That is where the fluctuation is and it siphons off the purchase of new cars into the second hand market when you get down to the level at which they are now.

MR. FARMERY: Mr. Chairman, I also think even in new areas in Toronto at the present moment you can get discounts up to 25 percent on new car prices.

MR. GRAUER: For cash?

MR. FARMERY: Cash or trade.

THE CHAIRMAN: It gives me an idea.

MR. GUSHUE: I was rather interested in the question of savings and the statement that the Canadian people were saving more than ever before. Has any study been made of the net savings of the Canadian people since World War II? I mean by that planning what they put into the bank and the life insurance company against what they borrow from retailers through instalment buying and so on.

MR. GILL: Mr. Foster, assisted by his office has been responsible for all the tables and all the work of past and present that is in this brief. Perhaps he would comment on that question.

MR. FOSTER: Mr. Gushue, on page 20, that table, Analysis of Personal Savings in Canada, in the brief you will observe Items 10 and 11 and we tried to take account of mortgage debts and decrease in other debts there to produce a net figure.

MR. GUSHUE: You have not taken instalment buying into account?

MR. FOSTER: Yes, I think we have, Mr. Gushue.



MR. GUSHUE: Where is that shown?

MR. FOSTER: It is in part of Item 11 there. I am told the Bank of Canada have more understandable -- figures of similar import.

MR. GUSHUE: Page 20?

MR. FOSTER: Yes, the chart on page 20 at the bottom, item 10, decrease in mortgage debts and item 11 decrease in other debts.

MR. GUSHUE: Would you call the credit obtained on instalment buying a decrease in debts? I am talking about the large volume of instalment buying that is being encouraged in so many ways on the part of the consumer.

MR. FOSTER: I am informed that this does take into account, Mr. Gushue, the increase in consumer debt as represented by, among other things, instalment buying.

MR. POYNTZ: The decrease in debt is a negative figure.

MR. FOSTER: May I file some supplementary material on that for the Commission? We would be very glad to document it for you.

MR. GUSHUE: Thank you.

THE CHAIRMAN: I think Mr. Hood of the Research staff can get that information for Dr. Gushue.

MR. CLAXTON: Mr. Chairman, answering some earlier questions I wondered if I might give you some figures which are very early efforts to compare 1955 with 1954 which may be quite interesting because they show how close the figures come out.





Personal income 8 percent higher in 1955 than 1954.

Personal consumption 6 percent.

Retail trade 7 percent.

Gross National Product 9 percent.

Construction output 10 percent.

Plant and Equipment outlays 5 percent.

General Industrial Output 9 percent.

It is quite interesting to see that the increase in life insurance in force corresponds fairly closely to this general level of figures -- for all companies in Canada 8.9 percent and it is interesting too, I think, to note that the number of employees on wages and salaries covered by insurance has maintain a fairly steady level from 1939. It is about the same today as it was then. It is the highest in the world in Canada, the 24 months as compared to the 22 months in the United States, the second highest country.

THE CHAIRMAN: Mr. Gill, I think we have discussed as much as we usefully can this kind of a topic, the question of price stability. We would like to ask you a few questions about the investment portions of the life insurance companies and I would like to begin by referring to a number of things that have been said before this Commission and which I am sure you have heard before. I see Mr. Harold Morrison is here this morning and he has done a first-class job in seeing that people should hear what has been said at these proceedings. In the first place, it has been said that the need for liquidity in the case of life



insurance investment can be over-emphasized because of the continuing growth of the companies and the long term nature of their obligations subject to loans and cancellations which have been relatively smaller in total amount in terms of percentage of the whole and the pattern of experience over the past and so on. I gather that that view was more or less borne out by your own brief.

Now, it has also been suggested that it would be beneficial to the economy and presumably to the life insurance policyholders too if a somewhat greater percentage of the total assets of life insurance companies were invested in common stock and two points have been mentioned in that regard -- first, the great development that has been going on and that is expected to continue to go on in Canada and the desirability that Canadians generally should share directly in that development, and, secondly, that it would provide some sort of hedge against losses due to inflation if there should be an upward trend in prices, and I suppose the people who would advocate that would probably be of the view that over the long period the trend would be upward despite what we have been saying a few minutes ago.

Now, your views about investing in common stocks are set out on pages 40, 41 and 42, but there are one or two specific questions I would like to ask. First of all, would you care to inform us of the investment policies with regard to common stock of life companies in the United States, United Kingdom and European





countries?

MR. GILL: Mr. Chairman, Mr. Guy would take the lead in this common stock section and I think we will all have some comment to make in the process. I think we do have some figures available.

THE CHAIRMAN: I thought we might deal with this more general question and then come to the sections of the legislation that really lay down what you may or may not do.

MR. GILL: Mr. Reid will move along in that part when we come there.

THE CHAIRMAN: I don't know whether we will be able to keep the general questions separate from the particular ones about the legislation but we will try to.

MR. GILL: We will all share any way we can.

MR. GUY: Well, Mr. Chairman, may I speak to the question of the investment portion of the Canadian companies towards common stocks then? As you suggested, we have not been unaware of all the comments that have been made. In what I have to say about it, I don't wish to be considered negative. We, as an industry are not against a moderate investment in common stocks of sound intrinsic value in a well-seasoned company but as trustees we simply feel we cannot go into speculative situations. I sometimes think that euphemistically we talk about risk and venture when we should be talking to some degree at least about speculation and



I think that we of the life insurance companies with a very high sense of trusteeship, cannot engage in speculation. But in the case of sound stocks we feel that we can make moderate investments. There are a lot of factors connected with this problem, Mr. Chairman. I don't know -- may I go into them at length?

THE CHAIRMAN: Oh, certainly.

MR. GUY: Because it is rather an important subject for you. It is suggested too that some of the common stock investment powers of the companies might be increased beyond a 15 percent limit but I think, as you perhaps know, none of the common stock portfolios of the life companies nearly approach that 15 percent limit and as far as one can see there is still a good deal of room for expansion before any suggestion of an increase in limit need be considered.

As far as I have been able to judge and from what I have read, those who are judging the purchase of greater amounts of equity by the life companies seem to turn to perhaps two points. One is that investments in common stocks in recent years have been very profitable and life insurance companies therefore should participate as fully as possible in such an apparently remunerative investment medium but that argument to my mind is somewhat defective because it is based on hindsight. The second argument seems to turn on the point of maintaining controls of Canadian companies and that they require long term Canadian capital. Life insurance companies do control a large pool of this capital and





therefore life insurance companies should invest in common stock. I think that argument is more logical but it ignores two important questions -- one, the responsibility of a trustee and the concentration of economic power.

Now, no one can deny that a vigorous common stock programme would have produced large profits in the last seven, eight or ten years but to base a future investment policy on those results, might be pretty dangerous. At least one important factor contributes to that and that is the revaluation of stocks from a high to a relatively low yield basis could be non-recurring unless the market is to rise to obviously speculative levels.

Now, I have not any Canadian data on this but we do have in our companies, Moodie's Investment Service, a large number of us, and they run averages and at the rate of 43.46 a share which is the average from Moodie's index for 120 industrial stocks, in May 1949 the dividend is \$3.17 and the yield 7.29 percent. At the end of 1955 the price was \$145.67, the dividend was \$5.71 and the yield had declined to under 4 percent -- 3.92 percent to be exact. The total appreciation in that period was 235 percent. If the increase in price had been proportionate to the increase in dividend the rise would have been only 80 percent so that the remainder of the increase, 155 percent, can be attributed to the changing yield in the anticipation of the future. Because of that drastic reduction in yield, we feel persons buying stock in



anticipation of returns similar to those of the last few years may be disappointed.

I would like, if I may, to go back into the history of the companies just for a few minutes.

May I, Mr. Chairman?

THE CHAIRMAN: Certainly.

MR. GUY: I think a proper perspective of this problem involves a consideration of more than the bull market which has persisted since 1949 roughly and I think that the investment policies of the Canadian companies with respect to common stocks during the '30's and '40's must be reviewed in relation to some of these factors. During a great depression -- we do not anticipate we are going to have another 1930 -- but no one who was in charge of an investment portfolio during those years could help but have been affected by that. Then, the second point is the concentration of the investable income of the companies during the war years in government bonds which took any thought of buying common stocks in those years out of our minds. Naturally, we wanted to support the war effort, and then, I think, at the end of the war there was a general expectation on the part of the public -- and Mr. Claxton referred to what the government were thinking -- that there might be and could well be a depression after the war and there was, on the part of the people, a general belief that the high corporate earnings that came in post war years were perhaps only temporary and it was not realized they were permanent at all.

Then another thing, prior to the amendment





of the Insurance Act in 1948 setting up the basket clause and in 1950 revising the eligibility requirements for common stock, there were penalties in the Act which were a definite factor in restricting stock investment particularly with respect to "under par" shares.

Then, of course, in addition to that the aftermath of the '30's meant that individual companies must meet the eligibility requirements and prior to 1948 there was no method of holding stocks which might be only technically ineligible. But to give you some idea of the field of stocks in this country, Cochrane, Massey and Hay annually publish a book called a regional book and while it is not claimed to be an absolutely authoritative list, it does give an indication of the number of companies involved and the difference which has been made by some of the new requirements. In 1939 there was listed in that book 45 companies, in 1945 68 companies and in 1955, 256 companies, and I think that shows in a good part of these years there was a limited supply of well seasoned stock.

Then too, as I look back, I wonder what the public reaction would have been in the early post war years if instead of making money available for mortgages for a badly needed housing programme, the insurance companies had aggressively purchased stock up to 15 percent of their assets. I think we would have been probably publicly condemned for speculating in that area instead of for making our money useful



in trying to promote housing. We were under social pressures in those years and we responded willingly and we did our best to make as much money available as we could for housing needs.

In this period from 1946 to 1954, for example, mortgages and sales agreements went up by about \$1,200,000,000. At the end of 1954, preferred and common stocks were \$57 million and at the end of 1946 \$53 million. They only went up \$4.1 million. All bonds went up by \$400 million, so assuming the companies had laid out 16 percent of their assets -- 15 percent in common stock and 1 percent in preferred stock, our further investment in that class of securities in that period would have been about \$669 million at the end of 1954 whereas we had \$57 million, so that there would have been an increase there of \$612 million. It is impossible to say, of course, hypothetically which of the alternative classes of investment would have suffered, but assuming that that \$612 million came equally from bonds and mortgages there would be \$306 million coming from these and that would have had a very serious effect on the housing programme because it would have decreased the life companies' interest in mortgage real estate investment by over 25 percent.

Then too, because of the constructive -- which I regard as constructive -- 20 percent tax reduction on capital gain and, of course, because of the growth of the Canadian economy, generally speaking our stocks are expensive as compared to American or United Kingdom stocks. I made a calculation of our year





and market yield on common stocks between American and Canadian in each of the years from 1946 to 1955 and there is a considerable spread in favour of American stocks and in the middle of February I took some market prices of Canadian corporations and typical American corporations and almost every indication is of a higher yield for the American stocks than for this list of about 15. I brought out an average yield of 3.10 percent on Canadian stocks as against 3.91 percent on the American stocks.

Now, I have perhaps been going into this in a little more detail than you care but I have the feeling too, that the present pressure on the life companies to buy larger amounts of common stock stems in large measure from the very buoyant stock market that we have had almost continuously since 1949. In less favourable market conditions I am sure the situation would be just a little bit different. I doubt if the companies could be encouraged to invest increasing proportions of their assets in equity solely on Canada's growth. We are very proud of it. I think we do have to give due regard to normal investment considerations of price and yield and I am not sure that artificially stimulated buying would be in the best interests of Canada as a whole.

But then we do come to the question of importation of capital. I have asked myself the question if the life insurance companies had been larger buyers of equities would this have discouraged



investment in Canadian stocks by foreign investors? It is quite doubtful. My experience has been that Americans particularly have been tremendously enthusiastic about Canada's future and I think they would probably have sent into Canada just as much capital through investments trusts and individually even though we might have been bidding against them for this stock. I think the only way American capital could have been kept out of our market would have been through some type of artificial barrier.

Then, another important consideration from our point of view against investing in common stocks is the question of market values. I think we all feel that we cannot, in the interests of our trusteeship, carry more than a limited amount of common stock on our balance sheets. If a company held 15 percent of its common stock in the balance sheet at market values and the stocks declined by 20 percent and if the surplus and contingency fund was around 6 percent, that certainly would cut the surplus and contingencies fund in half. It is therefore necessary in timing when you purchase these common stocks to be sure you get them at a good average time and I think that some of the companies that are following a policy of limited buying and putting a limited amount of money into equities are trying to average out those prices so that they do put them on their books at a reasonable price and certainly one hesitates very much, I would think, to buy large quantities of stocks at these prices when





yields are so low.

I think perhaps I have talked quite a long while, Mr. Chairman. I am sure others have information on this subject.

THE CHAIRMAN: You didn't tell me about the policies of other countries.

MR. GUY: Well, in New York State, for example -- most of the larger insurance companies in United States operate in New York State and therefore are subject to New York insurance law -- a company is allowed to invest as much as one-tenth of one percent of its assets in common stock each year provided the total does not exceed the lesser of 3 percent of total assets or one-third of its surplus.

MR. GILL: One-fifth of the Canadian policy or less.

MR. CLAXTON: I think in the United States all the insurance companies as a whole have less than 5 percent in common and preferred stock.

MR. FOSTER: Yes, prior to 1951 the New York law prohibited any investment in common shares under any circumstances by a life insurance company. It was only in 1951 that this very limited authority that Mr. Guy mentioned was permitted.

MR. GUY: I would not like to leave the impression that we have not supplied development capital.

MR. GILL: On that last point of Mr. Guy's it is very important thinking in terms of venture capital. We are putting hundreds of millions of dollars a year into that and the brief mentions several companies -- Canadian



Chemical Company, Columbia Cellulose Company, Inter-provincial Pipeline, Iron Ore Company of Canada, etcetera, but the investment has gone basically into the senior securities of those companies.

MR. CLAXTON: Mr. Chairman, in the United States there is one element which has entered into the picture regarding the purchase of common and preferred stocks, particularly common stocks, which has not apparently been raised here because we have never had in Canada the kind of scandals they have had in the United States using the word "scandals" as referring to market speculations, but there we had, as you know, the Armstrong investigation -- a very extensive investigation into the Tennessee Valley Electric plant by Congress which extended over two years and the effect of this has been to make companies and the public and governing bodies very apprehensive of the possibility of insurance companies which have such large funds to invest, securing and exercising control of a corporation. For example, assuming that the Metropolitan has -- which I think it has -- over \$500 million of General Motors bonds, if that were in the form of common stock it would give the company quite a common position and that would be regarded as undesirable even today. Because of the fact that it has bonds of General Motors and has insurance on General Motors exposes it to criticism.

MR. GRAUER: There is a technical aspect of the Canadian market that because of the number of wholly owned subsidiaries here the development of national resources where the earnings seem to be quite





high, the percentage of common stock is relatively high, the big demand here is in the mortgage and bond field. So actually the policy that the life insurance companies have been following in Canada does seem to fit the demands of the situation.

MR. CLAXTON: I shudder to think what would happen in common stock if any big source of purchasing in addition to what we already have, entered the market. There is a field with the small company but that is a problem which the insurance companies cannot be expected to meet.

THE CHAIRMAN: Well, gentlemen, unless any of the insurance companies are against it on principle, it is suggested that we have a break for a smoke.

--- Recess

--- After recess

THE CHAIRMAN: Mr. Reid, I thought we might have a look at some of these general restriction clauses on investments that are set out in pages 27 and 28 of your brief. I would like to ask questions about your views having a number of these questions, none on 27. I think the first one I made a note of was Item 5 at the top of page 28, Corporation Debentures, provided the Corporation has consistently paid dividends for at least the preceding five years. Have you any views on that?

MR. GILL: Mr. Reid will take the lead on this.

THE CHAIRMAN: Let us deal with that one



and the preferred shares at the same time.

MR. REID: Mr. Chairman, I think as far as debentures are concerned the present provision has been satisfactory taken in conjunction with the so-called basket clause. There have been odd issues of debentures which for various reasons did not qualify under the present restriction but we have had the alternative of taking those up under the basket clause and in most cases those debentures within a relatively short space of time do qualify, perhaps within three, four or five years, and then can be transferred into eligible investments. But by and large I think it has been quite a satisfactory clause since this provision in 1950, I think it was. I think in large measure the same thing applies to the preferred share provision. There is no limitation on the amount we can put in preferred shares. No company, I think, has gone too far in that direction although I think some go as far as 5 percent of their assets in it. Preferred shares -- again where there is the odd situation where perhaps because of one bad year the particular company might have had to drop their regular dividends -- again we can buy that under the basket clause more or less temporarily and within a very short time most of those purchases do become eligible investments and are therefore released from the basket clause.

THE CHAIRMAN: I don't want to pursue this question about common stock any further except to ask whether under item 7 the restriction to stocks on which dividends had been paid for 7 years was satisfactory or





whether seven years is too long a time.

MR. REID: Well, perhaps I am expressing more of a personal view but I am convinced that at least for the large majority of the common stock shares which a company might purchase they should be sound, well established companies. I have been a little puzzled by some of the representations which have been made to your Commission in respect of the life insurance companies being more active in the common stock field as to just what they were contemplating. It seems to me they were more generally talking in terms of relatively new ventures and it is my personal view -- and I think this is shared by most of the companies -- that that is not a good field for any substantial portion of our funds to go into -- relatively speculative investment. In new companies, the past history shows a very large percentage in the long run fail and you would have to make substantial gains in a very limited number of your investments in speculative ventures in order to make up your losses and it certainly seems to me that is the field for some wealthy individual who is perhaps not interested in income which is in general an absolute necessity for us and on the other hand, we are not taxed on any income that does accrue, so that we have not the same premium on capital gains that the fairly well to do individual has to supply that type of capital. I don't feel that the seven year period is unduly restrictive. Again, if the dividend has been dropped for a year or so we probably would not be buying the stock at that time until dividends had been resumed. You can still



purchase within reason under the basket clause in the expectation that your purchase will become eligible before too long a time has elapsed.

THE CHAIRMAN: This item 11 --

Investment in this low cost or moderate cost rental housing projects, a limitation of 5 percent of total assets, do you feel that that is about right?

MR. REID: Well, the limitation has been fairly academic as far as I know, because as far as I am aware no Canadian company has so far gone into that field in any way at all. If my memory serves me rightly, we only obtained that power in 1944 under the National Housing Act and since that time I think most of us have felt that virtually all the housing units that could be built in this country were being built and nothing much would be gained by our entering the field at the same time. It is my own feeling that the day may come when perhaps the economy is not quite so buoyant and the construction industry not so fully employed and I would hope that perhaps prices would be down and costs would be down to some reasonable figure when it might be very constructive indeed if the companies did step into that field and give the construction industry a bit of a shot in the arm, but I would like to give some thought as to whether the 5 percent would be adequate in those circumstances. But certainly I think it is something for the future and when it is right, that would be the time to consider an increase in the provision.





THE CHAIRMAN: This basket clause in 13, limiting you to 3 percent, that is the one that of course people have remarked on to us during these proceedings as being the key to the thing and it has been suggested that that is much too restrictive.

MR. REID: If I am right in my memory I think at one time we did suggest to the department that that might be set at 5 percent having regard to the fact that most companies had total surplus funds of probably that magnitude or more. However, it was set at 3 percent which I think proved a reasonably satisfactory limit initially. Then, a couple of years later I think perhaps some of the pressure was taken off and the need for adjustment upward by the fact that a separate clause was introduced into the Act allowing us in certain circumstances to invest in real estate any investable income which formerly had to go in the basket clause. That basket allowed us to put money into that form of real estate up to 5 percent, all of which might qualify under the particular clause. Those parcels of real estate which were qualified had come in the basket clause. As to the adequacy of the clause, it does not give us as much leeway as some of the States in the United States, but as to the adequacy in Canada, up to date I think that is probably demonstrated by the fact that the total investment of the companies under that clause to date, I believe is not over 1 percent -- .9 percent at the end of 1954 and a total of about \$55 million. Of course, there is somewhat of a revolving fund because as I mentioned



earlier, there are certain investments you may make in it which pass over into the eligible provision and you are constantly getting a little leeway. I am speaking as a purely Canadian company. I think perhaps the clause has been a little more useful to those companies who operate in the United States and the United Kingdom. Perhaps investments come along more frequently and new forms of investment which strictly do not qualify under the Act but which can be purchased under this clause until such time as the Act may be changed to reflect these new investments that have come along and it has been reasonably satisfactory.

THE CHAIRMAN: I think the question of 15 percent of limitation on investment in common stock has been dealt with. It is academic in terms of your present investment. I think it is worth while mentioning though, perhaps, that when we think of the life companies' investments in bonds and mortgages that the interest which you receive is the gross amount and that the 47 percent tax deduction that is taken off interest income in the case of the ordinary corporation does not apply in your case except there is a very small percentage which may be transferred over to the shareholder's fund at the end. So that when people are thinking about yields, it is important that they remember that in your case you get almost twice the yield that a lot of people think of when they think of bond interest and mortgage interest.

MR. REID: I think another point in connection with that 15 percent and the difference between various investments, Mr. Chairman, is that while I am





not sure what the global is I think it should be recognized there can be quite a distinction in dealing with the global assets of the Canadian companies and the actual picture in Canada itself. I think the investment of the Canadian companies in common stock in global assets of the Canadian companies is about 3.7 percent but bearing out what Mr. Guy said earlier of the Canadian assets of the 12 largest companies operating in Canada and two or three United States companies, only 1.4 percent of our assets are listed in common stocks largely because of the facts which Mr. Guy has mentioned in that the return on Canadian common stocks is so much lower than that available on United States stocks in general.

THE CHAIRMAN: If the suggested secondary market in National Housing Act mortgages developed -- is it about to be developed or is it developed? Is there an active secondary market in mortgages?

MR. REID: In National Housing Act mortgages?

THE CHAIRMAN: Yes.

MR. REID: I think it has been fairly limited. The last figures I saw were, let us say ---

THE CHAIRMAN: There have been some suggestions recently that it could be developed to some extent. I don't know why anybody would sell them in that there are about \$11 million in mortgages renegotiated last year from figures I saw the other day which is a very small proportion of the total.

MR. GILL: I don't know whether



Mr. Alexander would like to add anything to that.

MR. ALEXANDER: Mr. Chairman, you were asking about a secondary market mortgage by National Housing Act as against conventional mortgages and secondary mortgages?

THE CHAIRMAN: Yes.

MR. ALEXANDER: It seems to me with the mortgage demand as large as it is, the institutional buyers of mortgage loans have ample opportunity to buy new mortgages, all that they are able or willing to take and that the secondary market for mortgages would fall flat because of the fact that nobody would buy them.

THE CHAIRMAN: It is not the sort of investment that foreign capital could find its way into?

MR. ALEXANDER: I think it conceivably could, yes. In fact, I don't know where the \$11 million of mortgages which Mr. Reid spoke of went, but we have heard reports from time to time that some foreign investors have been buying some mortgages.

MR. REID: I think in those cases certainly the trust companies are probably making an investment directly on behalf of those foreign investors. I think there is a certain amount of that going on now but that is a little different from the transfer of ownership of the mortgage.

THE CHAIRMAN: To get away from your own industry for the moment, it was suggested to us in discussions about municipal financing that foreign capital might be attracted to the municipal bond field





if the withholding tax on municipal bonds was removed. Do you think that in practice very much foreign capital would be attracted to Canadian municipal bonds if it were not for the withholding tax?

MR. ALEXANDER: Well, as a matter of opinion, Mr. Chairman, I would be inclined to think not, because as I understand it -- and I hope you will correct me, such borrowing is not done by the municipalities payable in foreign currencies. It is specifically in United States dollars. The interest thereon is not subject to a withholding tax. I would think that the extent of the interest of foreign investors in Canadian dollar municipal mortgages would not be very large, or alternatively, would be confined to investors who had income tax offsets so that it would in fact represent no net earnings.

THE CHAIRMAN: Another question. You may have seen something in the press about Mr. Gordon Ball's suggestion that there should be a development corporation created which would invest its funds in large new ventures and which would sell its equity securities to Canadians generally and presumably go to the life insurance companies for its senior financing although he did not say that. Do you think that is the kind of -- would you care to express a view on that suggestion?

MR. ALEXANDER: Mr. Chairman, may I say that that is something that seems to me to touch indirectly on a number of points we have mentioned here this morning. I think many of the suggestions



that have been made fairly recently about the desirability of life insurance companies putting more of their funds in equity reveal a certain confusion between investments on the one hand and promotion or speculation on the other hand. Most of the equity investments going into the development of new industries and resources industries and so on is made in the form either that it is not suitable for life insurance companies or that it is not available to them. It strikes me that very possibly a development corporation such as you mention by spreading its risk and by managing its affairs properly would avoid the supporting of many enterprises which now find their way into the market via letters that we all get deluged with. It seems to me a corporation of that kind must very easily develop a stability and a background which would warrant investment by life insurance companies not only in the senior securities but in the equity as well. I mean companies not parallel exactly with but of the type of, let us say, Neumont Mines, or something of that sort. I think though, that the promotion of such enterprises is something which is completely outside the field of life insurance companies themselves. As a matter of fact, as I understand it, it would be illegal for life insurance companies to engage in such activities.

THE CHAIRMAN: I would be inclined to agree with what you touch on and what Mr. Guy said earlier that a good deal of the discussion about the investment policies of the life companies is hinged





around most people's views that it would be nice if there were more Canadian control of some of the foreign owned companies that are in this country.

I notice in your brief on that subject on page 42 you refer to the fact that this is a difficult problem and in general the solution is one which I don't think is an exaggeration. You do suggest that the rate of withholding tax on dividends paid to foreign companies in other countries by wholly owned subsidiaries should be changed, but the question I would like to ask you is do you feel that that in itself would have much effect? A lot of people have suggested that that withholding tax rate should be changed but I have been curious as to whether that by itself would really have much effect on the situation we are talking about.

MR. REID: I personally feel there are substantial other problems as well, Mr. Chairman. I have seen so many American companies come up here with their substantial and rapidly expanding subsidiaries. I think quite constructively they have plowed back a very large part of their earnings over an extensive period of years which I think has been quite constructive rather than have them draw those earnings out. However, if there was any substantial Canadian participation it might be much more difficult for them to plow back the earnings in the way they have and they would probably feel biased that they have a very large portion of dividends which might result in a large scale drawback of the capital to the major shareholders than is



presently the case. I don't think it is such a simple solution.

THE CHAIRMAN: Do you think Canadian participation is not desirable for that reason?

MR. REID: I think it is desirable but I am just pointing out what I think. The case of International Business Machines is a good example. They have come up with a big operation in Canada. They had a very limited amount of capital to start with but they have plowed back a very substantial part of the earnings. It is true they have done some public financing as well as some private placement of debentures and we have all had the opportunity of investing in the Canadian subsidiary of International Business Machines, but they would have had to follow quite a different policy in building the company up if they had 20 percent or 30 percent Canadian participation.

THE CHAIRMAN: Is Canadian participation in these companies is desirable, or is it just one of those things that is nice or is it something we should do something about?

MR. REID: Well, just one instance. I was talking to a well known gentleman, or he has become well known in the last couple of years by having formed a new company here in competition with some of our major companies in the same line of business. He endeavoured to interest capital in Canada originally and failed significantly although a large European firm expressed willingness to put an additional amount of capital in it. He insisted there should be a Canadian participation, a





substantial one. They somewhat reluctantly agreed to that and I think the company was financed on that basis, the major part coming from Europe and a substantial portion from Canada. The price of the shares went up fairly rapidly but before, where they had controlled little more than a fraction of the business, this gentleman told me a large part of the shares had been sold by Canadians and the ownership or a large part of it had gone back to the European company.

THE CHAIRMAN: Well, you go on back to this sentence in your brief that it is a difficult problem with no easy solution?

MR. REID: Yes.

MR. GILL: You have been touching on a very important problem that Mr. Guy and Mr. Alexander and others have referred to. The usual investment powers in the Act are, of course, a matter of great importance to the companies and to the business of the country. The general practice has been that about once every six or seven years the general Act has had a going over and a cleaning up and a bringing up to date, at which time a lot of these small deficiencies here and there are cleared up. I think it is unquestionable -- the superintendent himself was here a few minutes ago and his senior assistant is here now -- but I think it is safe to say another tidying up should take place in a year or two. We have one suggestion only in our brief where we have made a specific suggestion for a change that the authorities have not seen fit to approve. It is the section Mr. Alexander paid



particular attention to on the financing of older homes. There was an opinion in favour of allowing 66-2/3 percent instead of 60 percent to be re-invested in mortgages. That would probably help the companies in their operations outside Canada more than it would inside, for in the United States and the United Kingdom the higher percentage of lending is more prevalent on older homes and commercial property than it is here. I think Mr. Poyntz had a point he would like to raise while we are on this subject.

MR. POYNTZ: We might have covered the comment in our discussion as much as you wished.

THE CHAIRMAN: Oh, no.

MR. POYNTZ: There is a point, though, that I think we might make and it is a statement of fundamental principle really that I think ought to be stated. In the beginning of any discussion about participation of life insurance companies in common stock, it is so obvious to us that we are probably at fault in not repeating it because we think it must be well known to everyone. The actuarial assumptions and calculations that a life insurance company makes to produce premium rates and to produce the measure of liabilities assumes an earning of a certain rate of interest and it assumes that is going to be earned every year. Whether the assets are interest or not, the liabilities are going to increase by the force of interest. It is something that is inevitable and that is really an underlying principle that shapes the investment policy very definitely in the line of earning interest every year in a very steady manner and right from the first





year of the investment, not relying on subsequent capital gains and sporadic increments to make up for any loss of interest in a period of decline. It is something we just can't do. We have to have this steady flow of revenue from interest to match the increase in liabilities that comes about just through the forces of interest. I think that really is quite a factor in the whole question of whether to invest in debentures or speculative enterprise.

MR. REID: In which case your liabilities are virtually 100 percent in fixed dollars?

MR. POYNTZ: Yes.

THE CHAIRMAN: On the question of pension funds do you feel that your views and policies respecting your own investments should apply in exactly the same way to the investment of pension funds?

MR. POYNTZ: Perhaps Mr. Hill would make a comment on that.

MR. HILL: We have not any investment in assets of pension funds. Automatically they become part of our common investment and consequently we have not any difference policy for investment of pension funds.

THE CHAIRMAN: What about the pension funds that are administered by other people that do not come within the orbit of the life companies at all?

MR. HILL: Well, of course, in that case the employer has discretion in saying under the terms of the trust or the trustee has an investment policy which he will follow.



THE CHAIRMAN: No, because under the income tax regulations the plan won't be approved unless, as I understand it, the plan is administered along the lines of the Insurance Act and I just wondered whether you had any considered views on whether that was desirable from the employer's point of view.

MR. REID: I think there might be possible attractions if he could put some part of his pension fund into equity and there would be an increasing tendency to base pensions more on final salaries rather than average salaries and if we should find some creeping inflation where final salaries have turned out to be much higher than average, there has been a substantial alteration. The pension going out is a pretty small percentage of final salary. It is true that perhaps moderate investment in equities gives an employer some protection against those increased costs but at the present time it is an almost impossible field for us to enter on the same basis. That is perhaps the hottest argument in industry at the present time in the United States -- the validity of going to that field.

THE CHAIRMAN: Do I detect a slight note of questioning about the views expressed earlier on the stability of the price level?

MR. REID: I am sorry I missed that.

THE CHAIRMAN: Was I right in thinking that what you have just said was slightly at variance with the views expressed earlier on on the stability of





price level?

MR. REID: No, I was saying the employer in many cases takes that view. I say if there is going to be creeping inflation that is a protection for him. I am not saying there is going to be inflation.

MR. GUY: I think one of the things suggested in this brief about the supervision of these pension plans is an actuarial device and supervision in many respects because it is on the liability as well as the asset side of this pension fund that this fund can be handled properly. We have suggested a proper actuarial device is important to the continuing ability of the fund to meet their liabilities.

MR. GILL: I would also like to underline that. I think Mr. Guy's point is the top point that we are discussing, that is, that careful actuarial valuations are made every year and it is easy to overlook the pull that is really going on in the few contributory liabilities that these funds are taking on. It is a very important point and we are all very conscious of it and I notice the superintendent and his people are too.

THE CHAIRMAN: You have got some views about the government annuity scheme I gather?

MR. GILL: There are a few things we don't approve entirely of. One is government gets internal state exemptions and certain other things. There has been a great deal of discussion of that matter.

MR. STEWART: Perhaps I might ask a question on these variable annuities. I presume there is an argument for the variable annuities even if the problem



were not continuous inflation. The argument for them rests generally, I would suppose, on instability of price level whether it goes up or down as it has in the past and therefore unless we can assume a completely stable price level there would be some argument for the variable annuities.

MR. GILL: Mr. Chairman, Mr. Stewart has touched on a very important matter. Mr. Hill may again wish to comment on that and perhaps some of the others as well.

MR. HILL: Well, if the life companies were authorized and could actually sell variable annuities the general opinion among Canadian companies is it would unduly inflate the price of equity stock to a price level where the yield would be very, very little and you would have to raise your premiums and then if you had too much concentration in that investment field at a really speculatively inflated price there might come a time when the holders of those policies would want to realize on them and you are going to have a tremendous decline and tremendous disadvantage from that type of policyholder and could under extreme conditions ruin the reputation of the life insurance industry. Of course, in the United States this is a very pertinent and active question at the present time. There are various upholders and people in violent opposition to this suggestion that life companies should sell variable annuities.

MR. STEWART: You don't think you should invest more in equities then?





MR. REID: Dr. Stewart, in addition it would seem to me that on your point there was the assumption that equity values would always parallel the cost of living. I think there have been in times substantial variations from that pattern. The long term trend may be that but there have been intermediate periods when the two were moving in a different direction and we feel that in such times there might be a good deal of disadvantage with the payments coming out of the variable annuities.

MR. GUY: May I just say to your first question I think my own opinion is that the experiment was devised with the expectation that price levels were going to continue to go up. I think if price levels dropped the average person would rather have a fixed equity; in other words, I think they would like it both ways. On this point that Mr. Reid raises I have quite definite reservations about whether common stock and price levels always parallel each other.

MR. HILL: That would be the case if the life insurance companies on this condition actually sold variable annuities. They might go away up. At the same time you might have a time of big decline. There is a tremendous amount of dissatisfaction among your policyholders depending upon when they purchase the annuities.

THE CHAIRMAN: Well, thank you very much, Mr. Gill and gentlemen, for a most interesting morning and a very helpful brief. Mr. Claxton, when are you going to entertain us, one o'clock?



MR. CLAXTON: One o'clock or a quarter  
to one.

THE CHAIRMAN: Thank you very much.

MR. GILL: Might I thank you in turn,  
Mr. Chairman, and thank the Commissioners for your  
kind reception.

THE CHAIRMAN: Well, we will adjourn  
until 2.30.

(At 12:30 P.M. the Commission adjourned until 2:30 P.M.)





A F T E R N O O N                      S E S S I O N

APPEARANCES:

Mr. A. Turner Bone, President,  
Canadian Construction Association,  
Mr. T. N. Carter, Vice-President,  
Mr. S. D. C. Chutter, General Manager,  
Mr. S. L. Donaldson, Honourary  
Treasurer.

Mr. W. A. Dempsey, Regional Supervisor,  
Ontario Division, Community Planning  
Association of Canada.

Mr. J. L. Van Camp, General Manager,  
Canadian Forestry Association,  
Canadian Conservation Association.

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THE CHAIRMAN: Well, we might as well  
come to order. Mr. Bone, we will mark your submission  
Exhibit 254 for our record, and we welcome you here  
and if you are ready to begin we will get started.

MR. BONE: Mr. Gordon and gentlemen,  
we are very pleased to be here and I think you under-  
stand that the Canadian Construction Association  
represents a very large segment of the country both  
geographically and as far as volume of business is  
concerned. We feel that we have so many members in  
different facets of the industry that maybe our brief  
is not too helpful because we have to represent the  
average thoughts of a lot of different people, but we  
hope that what we have put down is factually right  
and will be of some help to the Commission.

I was going to suggest if it is agreeable  
to you that our manager, Mr. Chutter, could go through  
this brief if you want it all read or if you want



segments read and you given the opportunity to ask any questions in regard to the segments as read. We are in your hands as to that, sir.

THE CHAIRMAN: I would suggest that you go through it first. If there are certain sections that need not be read in detail that is fine, but otherwise I think we will proceed in a more orderly fashion if you will present your submission and then we will ask questions.

MR. BONE: All right, if I may ask Mr. Chutter to present the submission.

MR. CHUTTER: Mr. Gordon and gentlemen, dispensing with the introduction and getting on to the summary, the construction industry has a greater volume of business than any other industry in Canada. Its activities take place in all parts of the country and affect directly a large portion of our population. It is therefore of particular importance that the volume of construction keep pace with the growth of population and increase further to provide a higher standard of living. Conversely, so much of the Canadian economy now relies on the construction programme that any sizeable reduction in construction volume would have widespread adverse effects.

Fortunately, both the short-term and long-term prospects are for a high level of construction activity in Canada. Assuming that these predictions materialize, the basic challenges facing the industry are those of expanded capacity and increased efficiency to handle the larger construction programmes anticipated





ahead. This in turn will involve further advances with regard to "the five M's" -- manpower, materials, machinery, methods and money. Construction will likely undergo more changes in the next 25 years than have taken place during the past 250.

A continuation of the rate of progress in the construction industry during the next decade, as has taken place in the past decade, would mean a volume of construction in 1965 of over \$10 billion expressed in current prices. If the Gross National Product in 25 years' time is \$75 billion, the construction programme in 1980 would likely be about \$15 billion. The rapid increase in the industry's capacity in recent times explains its confidence over its ability to handle efficiently larger programmes in the future. Further increases in the volume of construction, however, won't just happen -- they will depend in large measure upon the maintenance of construction costs at levels that will continue to attract investors, the development by the industry of new markets and the actions taken directly and indirectly by governments to encourage construction activity.

#### The Construction Industry in the Post-War Period

It is estimated that the 1956 construction volume may be some \$6 billion. There has been an increase each year in the size of the construction programme in the entire post-war period and this year's volume will be well over twice the physical volume carried out in 1946. The industry's operations have acted as one of the most powerful stabilizing influences



in our overall economy.

Not only have the size and complexity of individual projects and of the construction programme grown but the latter has become increasingly large in relation to the Gross National Product. In 1946 it was 13 percent. In 1955 it is estimated to have reached 20 percent. Thus roughly one out of every five dollars spent in<sup>end</sup> goods and services was a construction dollar.

Construction work gives direct employment and \$2 billion of purchasing power a year to over half a million Canadians. As a consumer, the construction industry will pay out nearly \$3 billion this year for a wide variety of construction materials and installations, most of which are produced by Canadian manufacturers. Moreover, huge sums of money are spent each year on construction equipment, tools, fuel and other supplies used in construction operations.

All this activity, then, provides employment and purchasing power to a very considerable portion of our population engaged in construction, manufacturing, transporting, merchandising and project design work. In addition, billions of dollars' worth of physical assets are being provided for an expanding future economy. The continued development and prosperity of Canada is closely allied to a continued expansion in the volume of construction.

The prospects of this expansion seem bright indeed. Many of the representatives of industry and public bodies who have appeared before you have described





their plans for expanded capital investment programmes in the future. Many of the larger construction undertakings are being carried out to create new sources of energy, increased production of basic materials and improved transportation facilities, all of which will in turn support other developments. The existing backlog of requirements of houses, schools, universities, hospitals, roads, power developments, etcetera, and the fact that many of our structures are due for replacement because of age or obsolescence are additional reasons supporting the prospects of increased future construction programmes.

The increase in construction activity in recent years has also been marked by the introduction of many new materials and techniques. These, coupled with new design, have changed the nature and expanded the scope of the industry's operations. The larger volumes of work have also served to attract many new firms to the industry with the result that competition between contractors and between manufacturers has also increased. This in turn encourages more technological developments. It is safe to predict, therefore, that the dynamic nature of the industry's operations will continue to produce further improvements and a wider selection of alternative materials and installations at a rapid rate.

MR. BONE: Do you wish us to proceed through this with some of the details?

THE CHAIRMAN: I think if you would finish the submission.

MR. BONE: We will hurry it up a little bit





to leave more time for questions.

MR. CHUTTER: The balance of the brief generally pretty well enlarges the summary at the beginning.

The ability of the construction industry to expand its capacity has been dramatically demonstrated in recent years. This has been largely a matter of increasing the various factors of production and making better use of them. While this expansion was attained quite smoothly in most cases, the industry is still suffering in some ways from "growing pains". On the other hand, the experience of the last ten to fifteen years will be useful in helping the industry to expand its capacity in order to carry out larger construction programmes in the future.

(1) Manpower. A relative shortage of well-trained men in practically every vocation in the industry is a problem in most parts of the country. Indeed, there is a danger that employers have become so accustomed to semi-skilled men on their payroll that they regard the situation as being normal. The greatest immediate possibilities for raising the industry's efficiency would seem to be through training, education and increased individual effort. The trades training, technical training and professional training programmes and the immigration programme have all failed to keep pace with the increasing demands of current construction volumes.

Passing over to the middle of page 5 -  
Although the construction industry is a large employer



of graduate engineers, there are as yet no specialized post-graduate courses and few undergraduate electives for those who wish to follow a construction career. University courses in building construction, construction engineering and highway engineering are offered in other countries and it is believed that conditions warrant similar courses in Canada.

(2) Materials. Experience has shown that a rapid increase in construction volume has not always been matched by equally rapid increases in the output and/or importation of construction materials. This has resulted in job-site delays or possibly the use of more expensive alternative products. During World War II and in the immediate post-war period the shortages were fairly general and were overcome by increased production and by the introduction of new materials. The expansion in construction material production has been one of the major Canadian industrial achievements of the past decade.

In recent times the shortages have been mainly related to those items whose production involve especially heavy capital investment. Hundreds of millions of dollars have been spent during the past decade in increased production facilities for steel and cement but it is apparent that they will again be in short supply this year. The problem is made all the more difficult by the uneven purchasing pattern of these two products and the uncertainty concerning foreign sources of supply.

Of the two materials, steel presents the





greater problem. The construction industry is dependent upon the United States of America and other countries for much of its steel supplies and it must compete with other industries for the Canadian production. The increased domestic output of plates, angles and structural shapes has not equalled that of other steel products. Structural steel imports alone totalled 281,476 tons in 1955.

Those in the construction industry are in a good position to appreciate the problems of the basic steel producers. The situation could be eased if, for example, the railways spread out their orders for rolling stock more evenly and if advance arrangements were made in connection with steel orders for large construction projects.

Basically, however, if Canada is to advance industrially at a faster rate, more steel will be needed. It is needed for the construction of production facilities and it will be needed by many of the industries housed in these production facilities. A serious steel shortage has hamstrung the construction industry's operations three times during the past decade. In view of the large iron deposits in this country and the increasing market for steel products, it is especially desirable that Canadian mill production be increased to overcome the shortages that have periodically retarded economic activity and to reduce our dependence on the U.S.A. for such a large portion of our steel requirements.

to

Passing on/the(iv)section - Methods.



Closely connected with the development of new materials and equipment has been the development of new construction techniques. Precast and prestressed concrete, tilt-up and lift-slab construction, welded steel, laminated timber, prefabricated members, panel walls, millisecond delayed blasting -- all of these and many others have enabled the industry to carry out construction programmes faster, cheaper or better.

The industry's capacity has also been expanded by the increased volume of wintertime construction. Whereas the industry virtually closed down in most parts of the country for three months or more each winter, modern techniques permit many operations to be carried out on a year-round basis. Construction workers are still the largest group among the unemployed during the winter months, however, and approximately 25 percent of the summertime work force is temporarily laid off in the winter.

Other important factors in efforts to increase the industry's capacity are found in the degree of cost-consciousness displayed by architects and design engineers, research activities and the organization of construction forces to carry out construction projects.

(v) Money - Comments in this section will be restricted to the financing activities of members of the construction industry. Contractors are particularly dependent upon the chartered banks for credit. Working capital requirements are frequently heavy; investment in construction equipment necessary for





engineering projects is such that the value of the plant may exceed the amount of the contract; few firms raise capital through the sale of bonds or stocks; and the exceedingly keen competition and current income tax rates make difficult the accumulation of surplus funds. In spite of the popular idea of exorbitant profits made by contractors, the average percentage of profit is very low considering the service rendered and the risk taken. (In recent times approximately one-quarter of the construction companies making income tax returns each year have reported a loss.)

When business conditions have shown inflationary tendencies, the Bank of Canada has raised its interest rates and has suggested to the chartered banks that credit curbs be imposed on commercial loans. Some local bank managers have interpreted the latter policy to mean that the credit extended to contractors should be restricted to a percentage of the amount made available in the previous year. The Association contends strongly that contractors should not be subjected to arbitrary decisions of this nature but that the amount of a loan should be based on the merits of the individual applications. Efforts to curb loans for construction purposes should be made only in the direction of owners. Once a construction project has been financed, the contractor should be granted the amount of credit required for the job, consistent with his credit rating; otherwise the cost of the work may well be increased unnecessarily.





The financing costs experienced by Canadian contractors are heavier than those by American contractors. For example, operators south of the border are able to borrow money at lower rates of interest; purchase their equipment more cheaply; use it as collateral for loans and write it off faster from a depreciation standpoint. Those advantages are quite apparent when Canadian and American contractors compete on the same project.

Foreign capital continues to be an important source of funds in the construction industry. Many manufacturers of materials and equipment in Canada are subsidiaries of companies with headquarters in other countries. Examples include such items as roofing materials and mechanical and electrical materials and installations. The larger volumes of construction have also attracted forty or so large contracting companies to Canada in the post-war period. These firms have either incorporated subsidiaries in Canada or have gained control of existing Canadian companies.

#### Construction Cost Trends

The keen competitive factor mentioned above has had a steadying effect on construction costs. Indeed, one of the factors in the increased housing programme has been that average incomes have risen at a relatively faster rate than have housebuilding costs. Moreover, a purchaser of a house today obtains the benefits of a wider selection of materials, improved standards and better designs than were available ten years ago.



The maintenance of construction costs at levels that will encourage investment is of course a basic requirement for expanded future programmes. This is a responsibility shared by not only management and labour in the construction industry but also by members of the allied professions, financial institutions, landowners, research bodies, building code officials and other groups influencing the nature and cost of construction.

In passing, it might be noted that the cost of transportation is often an important factor in the cost of construction in Canada. This condition is not restricted to projects in isolated areas where special transportation problems and expenses are encountered. The cost of Western fir is roughly doubled by the time it is shipped from Vancouver to Montreal. Even relatively short hauls by truck or train mean sizeable price variations in bulky and heavy materials.

#### Construction Market Development

It is believed that future construction programmes can be substantially increased as a result of promotional work by the industry and by the introduction of new techniques and products. Air conditioning is a good current example of how large-scale demands develop for new products. "Home improvement" is also receiving a good deal of attention and the desirability of modernization of buildings is of course not restricted to dwellings. The renovation or replacement of existing structures by new, better-designed and more economical





facilities represents a large potential market. New production, warehousing and selling techniques have made many buildings obsolete although still structurally sound. Then again, the development of new techniques permitting economical construction in Canada's northland will doubtless open up new and substantial markets.

Contractors have considerable scope for expanding their business through entering or recapturing the field of construction activity not being carried out by members of the industry itself. This amount -- roughly 30 percent of all construction in Canada -- represents work done not only by "do-it-yourself" homeowners and farmers but also individual owners, public utilities and government agencies with their own forces. In the vast majority of cases such work can be carried out at less real expense and time by private contractors employing skilled craftsmen and submitting bids under the competitive tender system.

There are also increasing opportunities for Canadian firms to obtain a share of the construction work being carried out in other countries.

#### Government Role in Stimulating Construction Activity

Roughly 35 percent of the predicted volume of construction this year represents expenditures by the federal, provincial and municipal governments. The size of the construction programme in any year is, therefore, greatly affected by government decisions to initiate or defer public projects.

Much has been written and said in recent years concerning the accumulation of a "shelf" of



fully-planned government-financed construction jobs which could be put out to tender in the event of a recessionary trend as part of a fiscal policy to stimulate business activity. The backlog of public works that built up during the depression and World War II and the demand for designers to work on current projects has made the accumulation of a "shelf" of deferrable projects very difficult. Experience with "standard designs" in some aspects of the defence construction and housing programmes, however, do indicate that such projects as low-rental housing developments could be initiated speedily throughout the country since all that would be required in addition to copies of the plans and specifications for the standard designs would be the details for foundations and footings and other modifications adapted to local conditions.

It should be remembered that government action bringing about an increased volume of construction can be indirect as well as in the form of direct expenditures on public projects. For example, roughly half of our new houses are being financed under the terms of the National Housing Act. This amounts to about 15 percent of the total volume of construction. Housing legislation at all levels of government has done much to stimulate residential construction work but there is still considerable scope for increasing the housing market.

For example, the provision in the National Housing Act of lower down payments, loans





for the purchase of existing houses and the creation of "open-end" mortgages will enable greater numbers of our people to own their own homes. At the present time, most of those with N.H.A. mortgages have annual incomes of \$5,000 or more. Relatively few earning less than \$3,600 a year finance the purchase of a house under the N.H.A. and yet the intent of the original housing legislation was to assist those with modest incomes to become homeowners.

Much of the money used for the construction of such public projects as roads and streets, schools and hospitals comes in the form of grants from a senior government to the one actually administering the contract. It is essential that clear-cut agreements be reached on these financial matters by the various governments in order to permit long-term planning of construction programmes that are adequate to meet the needs of our growing population.

For example, it is apparent that unless the provinces receive new and substantial sources of revenue, they will be unable to carry out their responsibility under the British North America Act of providing roads -- at least not at a rate sufficient to meet modern needs. The national importance of roads was recognized by the Federal Government at the 1945 Dominion-Provincial Conference at which time it included among its proposals financial assistance for the construction of not only a Trans-Canada Highway but also international connections, approaches to national parks, new access roads and certain other "approved" projects.





Today, over a decade later, our roads problem is greater than ever. There are nearly twice as many vehicles per surfaced road-mile. The vital contribution of interprovincial and international highways and of roads designed to develop our natural resources (especially in the North), enlarge our tourist trade and meet strategic requirements is readily apparent. Failure to meet current and future needs for road facilities will seriously restrict the scope of our national development.

Government policies concerning taxation, depreciation, credit and interest rates also influence the size of the privately-financed construction programme. Policies on the volumes of immigration and trade also affect the volume of construction. Indeed, it is perhaps fair to say that indirect government actions affecting the volume of construction are as important as those in the public works field. Since the "private works" programme is roughly two-thirds of the total construction programme, it is vital that our governments give prime attention to the importance of encouraging a business climate that will in turn encourage individuals and organizations to invest in and build for the future.

#### Conclusion

Canada's economic development and general prosperity are closely bound to the continuance of a high level of investment. In our opinion the prospects for increased construction programmes in the future are excellent. The rate at which volumes will increase is



dependent on the health of the Canadian economy, the industry's ability to promote larger markets and the policies adopted by governments directly or indirectly affecting construction expenditures.

Thank you.

THE CHAIRMAN: Thank you very much, Mr. Chutter. Mr. Bone, on page 6 you talk about steel and cement. Now, first of all on cement you didn't have so much to say about it but we have been told by representatives of the cement industry that they now have capacity in being or in process of construction which will more than supply any conceivable demand by the Canadian industry for many years to come. Do you share that view?

MR. BONE: I would only say, sir, that they have been saying that for some years and they have been doing a lot of expenditure and increasing their capacity. In spite of that they have been having to import cement at expense to themselves from abroad in order to meet their customers' demands right up to now and the volume of construction still keeps going up I would not be surprised if they would still find that they have further expansion to make.

THE CHAIRMAN: You are inclined to think that they customarily set their sights too low?

MR. BONE: Either that or construction has moved faster than they anticipated. It is the same result in the end.

THE CHAIRMAN: Well, on steel we have heard a fair amount about both sides of that issue,





whether we have enough steel capacity in Canada. The steel companies have pointed out their difficulties. What do you think should be done?

MR. BONE: Well, our feeling is that we would like very much to see a little less of this marginal, as we point out here, structural steel now almost 300,000 tons coming from abroad and that has not been just this year or last year. We have always been in the situation where about that volume has had to be imported yearly. We, in our industry, while we appreciate the difficulties that the steel producers have, we would certainly like to see this country less dependent on imports from abroad to meet our basic steel needs. I don't think we will ever get to the point where we are not going to import any but we would like to see the margin coming down from what it is now.

MR. CARTER: There is a considerable portion of this 300,000 tons that is not even rolled in this country. There is not a shortage but they have not the rolls designed to roll the shapes.

MR. GRAUER: Even if you had to pay a little more for it, would that be supplied to you, even if it did run a little higher price?

MR. BONE: Even if it did run a little higher in price I think we would probably be happier to pay a slightly higher price as long as we knew the material was available here and under the control of our own country rather than being at the mercy of foreign countries that may have their own particular



reasons for wishing to use all the steel themselves at some particular time when we need their steel badly. That particular situation is what is happening today. In the past we have been able to purchase reinforcing bars out of England. The English market seems to have disappeared entirely and we are finding that the English are going to the European market to buy steel for export to the Canadians. If you go to where you used to buy reinforcing steel you are advised the best shipment you can get is September; that has been going on for the past ten years and I think will continue.

MR. GRAUER: What do the steel companies say to you when you take it up with them?

MR. BONE: They say they are doing their best. They say: "Look at the hundreds of millions we are spending on expanding our facilities". We feel they are expanding their capacity but we don't get our full share of the expanding capacity.

MR. GRAUER: They have suggested to us as far as structural shapes are concerned they don't make as much profit on them as some of their other products. Would that have a bearing on the question?

MR. BONE: I would think that would have a bearing. Speaking of that, I think I would have to speak personally. I, personally, as I said, would prefer to pay a slightly higher price and be sure the material was available in Canada. Whether everybody would subscribe to that, I don't know.

THE CHAIRMAN: Well, we will ask Mr. Carter.

MR. CARTER: Yes, it is a ridiculous





situation we are in now because, as Mr. Bone says, even if we could pay a relatively small amount more for a legitimate source of steel we are better off than if it is wholly on the European market paying a fabulous amount. We had a project that is very urgent to the agricultural industry of this country taking about 750 tons of steel. We built it at \$9.80 a hundred which is very close to \$200 a ton from European steel where the legitimate market we are paying is \$100. If the legitimate market could increase their price to \$120 and give us all we need, we would be happy. Our owner, the one who is paying for this building, is really the one who suffers. It has an economic value and therefore it would go ahead but at a price that the owner should not be asked to pay.

MR. GRAUER: Do you find that in times of scarcity the Canadian market offers more than the American?

MR. BONE: I think it does, yes.

MR. GUSHUE: You could outbid if you had to?

MR. BONE: Yes, you have to pay fantastic prices sometimes to get around the shortage.

THE CHAIRMAN: On another point, at the bottom of page 8 you refer to the action which the Bank of Canada takes to control inflationary tendencies and the way in which that action is translated through the operations of the commercial banks. Presumably if the central bank thinks that there are inflationary tendencies developing then it wants to cut down on industry and what you are saying in effect is that you





don't think the industry generally should be cut down in this particular way?

MR. BONE: That is our contention, that if there is to be a general reduction in volume of spending that reduction should be made at the source; in other words, the prime mover, the owner restricted. He can't build as much as he wants to but once a project is initiated the contractor who has the tools to do the work should not be hamstrung in any regard in his operations. This is a job that is approved for him to go ahead and if he is restricted in his credit operations it may work some difficulty for him which just tends to increase the price without increasing the total volume of construction.

THE CHAIRMAN: I suppose you have talked to the chartered banks about that?

MR. BONE: Well, some of them say it is not so. I think it varies from place to place but it is a point that does occur at times where the bank manager will say: "Well, we will have to cut you down to 20 percent less than last year". Of course, the bank manager conceivably would put that in a nice way, he thought a particular credit risk was not so hot and that is a pleasanter way of doing it than saying "You fellows are looking a little shaky". We appreciate it could be within the credit capabilities of the bank.

THE CHAIRMAN: I notice what you say about the financing cost, experiences by Canadian contractors are happier than those experienced by American companies and you gave several examples. Have



you got any suggestions as to what might be done about it or is it just one of those facts?

MR. BONE: It is just one of those facts that we think might be studied by the banks at one time.

MR. CARTER: The most important point, Mr. Gordon, from the point of view of the road building industry which is a very, very large user of equipment and a small user of labour is that we as an industry would like to have a more rapid depreciation than we are now permitted of 30 percent. If we could increase that to 50 or use whatever discount we wanted as long as we could get it written off.

MR. GRAUER: What is allowed in the United States?

MR. BONE: 40 percent on average in the first year.

MR. CHUTTER: Decreasing balance, 40 percent.

MR. CARTER: The American contractor can take his equipment -- say a large road building contractor, he doesn't have to be very large to have half a million dollars worth of modern road machinery in his yard. He can put that half a million dollars or some portion of it up as collateral for a loan while our banks here look on that equipment as an asset with a very cold eye.

THE CHAIRMAN: On this point again, there are limits as to the number of things that this Commission can deal with. Presumably this question of depreciation which I must say personally and





privately I will be very sympathetic about, is something that no doubt should be discussed with the Minister of Finance.

MR. CARTER: We just discussed it with Mr. Howe and a committee of the Cabinet two weeks ago without, I would say, any great response.

MR. BONE: Visible response.

THE CHAIRMAN: Perhaps they think the construction industry is reasonably healthy at the moment. I did want to ask a question on the bottom of page 13 where you talk about -- you get into the field of federal-provincial tax arrangement, a field that I expect this Commission will do its very best to keep out of. I do question though, whether there is any evidence in the larger provinces anyway, that lack of finances have held up expenditures on roads. The only one I know something about is Ontario but would you say that the road building programme in Ontario would have been any greater if there had been more money?

MR. CARTER: Your answer is right, Mr. Gordon. That is a view that we are somewhat alarmed about. When this Trans-Canada highway is completed, what we are anxious about from the road building industry point of view is that it be increased and implemented into further systems of highway. Highways that are for national parks -- forest industry national parks -- north-south highway somewhat similar to the Federal Highway Act in the United States where they can in the popular portions of the United States



have federal money that can be spent. They will form a park actually to build a road to it. They won't worry too much about the park; it is to get a road out there.

MR. GRAUER: On page 2 you say that construction will likely undergo more changes in the next 25 years than have taken place during the past 25 years. I realize you are getting into some rather misty territory there. Would you like to elaborate on that?

MR. BONE: That was put in apparently because we feel that the rate of change in construction methods has been so great in the last ten years as compared to the previous 25 or 30 that we feel we are about right in that estimate.

MR. GRAUER: You don't have any particular period in mind?

MR. BONE: No, we are putting on the rose glasses there and looking into the future of the industry for the next 25 years to some extent.

MR. CARTER: The road building industry, I believe, will be the one where tremendous advances will take place from the point of view of development of equipment. There is equipment now for laying concrete roads that completely finishes a concrete road at the rate of about a half a mile a day with about 40 men and there are now prototypes being operated that will produce a mile a day of 22 foot highway with not any more than 20 men. There will be asphalt highways laid with less than four men at the rate of a mile a day and





those are the pieces of equipment that are on the board and are being developed.

MR. GRAUER: Does that mean that the roads in the future will go a considerably longer distance?

MR. CARTER: It is quite conceivable although it is a financial thing. My father has been in the construction business for nearly 60 years or at least the family, and dad talked about moving earth embankments back in 1896, \$17 and \$18 a thousand yards. Today we are moving earth at \$12 and \$13 a yard with \$75,000 machines. We have not gained a dollar but the embankment has not cost any more.

THE CHAIRMAN: Well, the \$17 of your father's day is worth an awful lot more today.

MR. CARTER: Yes, but we have kept relatively apace. The only way we have is with the development of machinery.

MR. GRAUER: I was wondering to what extent the increase in wage rates and the cost of introducing new equipment with the write-offs and I suppose greater turnover and greater technological improvements, to what extent those costs would offset the lower per unit cost that you would expect?

MR. BONE: You refer to the rising labour rates. Rising labour rates could only be secured by attaining the rising rate with improved machinery so the individual who is getting the higher rate plus more machinery is able to turn out more than he produced before





for the same dollar.

MR. GRAUER: In your opinion are we going to see more or less a stable level of building costs or is it going up, down, or where on a unit basis?

MR. BONE: This means getting the crystal ball out. I think costs will continue to increase but I don't think they will increase at the same rate as the general cost of living.

MR. GRAUER: You are expecting the cost of living to go up, are you?

MR. BONE: I am afraid I do.

MR. GRAUER: Well, we had the insurance people here this morning and they assured us it was their united opinion that the price level probably would remain stable.

MR. BONE: That is good news if it is true.

MR. GRAUER: You don't share that opinion, I gather?

MR. BONE: If I were selling insurance I would try to sell people that idea too.

THE CHAIRMAN: They didn't actually try to sell us any insurance but they did try to sell us the idea.

MR. GUSHUE: You would not be as sure of the trend of building costs in building roads as perhaps in the main house building -- you can't apply the same figure as a maximum?

MR. BONE: Not the same. There has been some. I think the main factor in the rise in the cost



of house building as such has been that people want something more than what they did before; in other words, a person who would be satisfied before with a little four roomed house with a sink in the kitchen, now wants a fully automatic furnace and they want everything in the kitchen, etcetera, so the house is costing a bit more but it is relatively worth two or three times the house they are trying to compare it with in former days is worth.

MR. GUSHUE: What about the cost of land itself per house -- the price is upwards, isn't it?

MR. BONE: The trend is upwards, yes.

MR. GUSHUE: Is that within your figures here?

MR. CHUTTER: This deals only with house building costs themselves, which have not risen as high or at as great a rate as personal income levels, but the land change, particularly in the last year or two has been particularly noticeable and that is probably offset again in the relatively lower advance in housing costs. I think the average increase under the N.H.A. lot list was 40 percent above the previous years.

MR. GUSHUE: You refer to open-end mortgages in your submission. What do you mean by "open-end mortgages?" It is not a legal term?

MR. CHUTTER: That is a mortgage arrangement which is available in a number of the states to the south. Basically it permits a young couple who do not have too much in the way of requirements for a





house shortly after they are married, to erect, say a four or five roomed house and then later on in five years' time when they have a growing family they can put the house designed originally to take on additions, economically. Rather than financing the addition at a high rate of interest, which is the situation in Canada today, they merely extend the length of the mortgage which they have had on the original house. It was a 20-year mortgage and they have been paying off payments for five years and they then extend the mortgage for another five years and pay the additional interest. At that time you have written off enough from your house which is probably equivalent to the additional room or two you put on. It is a means of getting more people into the house market by an additional rate. The initial outlay is not so tight and yet provision is made for expansion at the same mortgage rate as the original mortgage.

MR. GUSHUE: Does that only apply to the type of mortgage where you can begin your payments almost immediately?

MR. CHUTTER: Yes.

MR. GRAUER: With reference to apprentices, do you find any closed shop agreements in the construction industry particularly in the skilled unions where they supply the labour?

MR. BONE: Speaking for the Quebec situation the labour unions are very closely tied in with management in running an apprenticeship system together with the government and there are no difficulties



there. On the other hand, I believe in some sections there is some difficulty as to the number of apprentices allowed but generally speaking I think we find labour has co-operated in working with management in apprenticeship schemes.

MR. GRAUER: We understand the situation in Quebec is very good from the point of view of apprenticeship legislation.

MR. BONE: We think so.

MR. GRAUER: You mentioned immigration a couple of times. What are your views on that subject?

MR. BONE: Well, I think we have said it here or have said in our submission to the government that we are in favour of continued selective immigration. We have found in the past that we have to rely to a certain extent for our trained mechanics on the immigration field. As long as the thing is kept under control and not too many, we are all in favour of continuing immigration. We feel for the growth of Canada and the benefit of Canada as a whole, we have to increase our population and selective immigration is one of the means of doing it.

MR. GRAUER: Do you find the flow of people slow in coming?

MR. BONE: Not as much this past year.

MR. CARTER: The prosperity in Europe where we were able to select some of these skilled workers is so high now that we cannot attract them.

MR. GRAUER: That is what you would expect. I wondered if it was happening.



MR. CARTER: The importation of the men accustomed to heavy labour is very vital to us and it has been particularly noticeable in the Toronto and southern Ontario area where a considerable amount of Italians have come in and done a wonderful job from the common heavy labour point of view. The average Canadian is not interested in the heavy pick and shovel job any more. If he can find some semi-skilled trade he will tend to go into those trades. The heavy digging has pretty well to be done by the immigrant.

MR. GRAUER: There is a reasonable supply of that type of immigrant?

MR. CARTER: It is not satisfactory. We could stand in the southern Ontario area more men of that type.

MR. STEWART: I notice your reference on page 8 to the degree of cost consciousness displayed by architects and engineers and then on page 10 you refer to the responsibility of members of the allied professions and others -- building code officials and so on. Are you satisfied with the arrangement between the architects and contractors and sub-contractors or do you think they affect your costs at all within the industry?

MR. BONE: Let me get that question straight. Are we satisfied with the relationships between architects, engineers, sub-contractors and contractors?

MR. STEWART: That is right.

MR. BONE: I would say generally speaking





there are problems, but we, as I said at the beginning, are an industry that comprises general contractors, trade contractors, manufacturers, suppliers, road builders and allied professions. We would sit down together and iron out our problems. Naturally there are always problems. We have one or two committees who are continually at work in trying to iron out problems. They appear and I feel satisfied that within our industry we hope to solve our own problems. I regard the relationship between the various trades and the architects and engineers as very good.

THE CHAIRMAN: Well, thank you very much, Mr. Bone, and gentlemen, for your submission and for the way you have dealt with these questions.

MR. BONE: Thank you, sir, for receiving us.

--- Recess

--- After Recess

THE CHAIRMAN: We will mark your submission, Mr. Dempsey, Exhibit 255. If you would like to proceed we are ready.

MR. DEMPSEY: At the outset, Mr. Chairman and members of the Commission, may I express the regret of Dr. Albert Rose that he was unable to appear here today due to certain obligations at the University of Toronto. However, he does welcome very much the opportunity of presenting his views to this Commission and he has endeavoured to do so within the framework of the objectives of the Community Planning Association of Canada.

The problem of old and obsolescent housing



has been over-shadowed by the very rapid urban expansion and re-development which should have taken place perhaps 20 years ago but was delayed and held up due to the economic depression of that time and then during the war and following the war there was such an influx of people to the cities -- immigration, high rate of family formation and also the opportunities for employment. These and other reasons seemed to create an effective demand for housing of any kind and contributed to the delays in major slum clearance such as may have taken place following the passing of the National Housing Act in 1954.

Now, in the present legislation, in the Housing Act of 1954 there is provision for clearance and re-planning of blight sub-standard areas. Grants were made from the Central Mortgage and Housing Corporation in agreement with the municipalities according to plan for low cost and moderate cost housing. Once the land has been acquired and cleared it may be sold to a limited-dividend housing company or life insurance company or to the federal-provincial partnership in order to have this low-cost housing.

This has been applied, as an example, in the case of Regent Park North in Toronto where this project being the largest of its kind in Canada of 1289 units is almost completed. The cost of land and acquisition was \$2,250,000 and there was a grant given of approximately one-half of this. In this particular case the land was turned over to the Toronto Housing authority which was a limited dividend company at a





nominal price of \$1.

Now, notice has been given that the sections of the Act will be so amended that assistance may be given in slum clearance not only for replacing the present buildings with residential development, but that it may also embrace commercial and industrial use, that clearance. It is not known whether this permits clearance of properties now where there is industrial or commercial use but we do hope that this legislation will be most comprehensive and that the resulting policies at each level of government will be bold and imaginative and that the municipalities will be enabled to clear these blighted areas regardless of what is now on them and in accordance with an official plan.

There has been no great rush for this type of project in Canada. There has been something done at St. John's, Newfoundland and Saint John, New Brunswick. The two major ones are in contemplation, one in Toronto and one in Montreal. Regent Park South will take in approximately 720 dwellings or rather will produce about 720 dwellings, when cleared and re-planned and re-built as against 500 which are presently on the site. Also in Toronto there has been private re-development of one section of about 1,500 units. In Montreal the project planned will produce about 1,388 units of lower rental housing.

There is a great deal of evidence that there are conditions which warrant slum clearance in many parts of Canada. I think it is fair to say that



the problem has been identified sometimes by private agency schemes by public agencies or a combination of both. We find that there have been studies and I have indicated where action has been taken. There were studies before that at St. John's, Newfoundland, Halifax and Saint John, New Brunswick, also studies as indicated in Montreal, some in Ottawa, Kingston, Toronto, Windsor, Winnipeg and Vancouver. These may all have varying effects and may or may not produce something but at least the community itself has identified the problem.

Regent Park North -- some of the costs -- it was estimated there was a total cost of \$16 million and because there is considerable controversy about this I suggest that this is a top figure and with a total of 1,289 units it will be closer to \$15 million.

It was considered at this particular time it was necessary to re-house families on the site without regard to their income and though provision was made for subsidization on an annual basis, to date no such subsidy has been required and in the current year a surplus of \$200,000 will be turned in for 1955 to the city. These properties previously paid \$36,000 and now are paying taxes for 1955 at about \$181,000. Land losses have been very low and there is a movement of some people out of the project who have saved sufficient money to buy a home of their own. It has been difficult to measure the actual change in the people. I think it could be said that there has been





a greater stability. This stability has been reflected in employment and in various ways in the home. It has been noticed by comparison with the previous community when the old buildings were there, crime has gone down, fire is much less and that there is a much better report on health conditions.

I think that to single out the greatest and most noticeable difference as a result of the old and the new, one sees in the children themselves first perhaps in the way they are kept, but to me, what is even more impressive, in their expression and in their happiness compared to what the previous situation was.

In Montreal the area under consideration to be developed shows a high rate of costs for police and this, of course, is something which we find in these very depressed areas wherever studies are made.

Although the studies here may be limited and the actual action limited, what has been done has been upheld by studies that have taken place in other countries and what we are concerned about is why more has not been done and why there does not seem to be any great desire to do it.

We find that there is a thinking that slum clearance is too costly for the municipalities and also there is a lack of concern for some of the people in these depressed areas. This, perhaps, is a matter of philosophy and brings up the question of the role of government, the role of private enterprise and the relationship and the responsibility. We also feel there is the role of the government in how it acts





in selling the potentialities of the legislation, what can be accomplished in terms of present resources as a result, and of course, more particularly, the results in terms of people.

There is one point that we have been concerned about with the private re-development that has taken place in Toronto where an entire city block was cleared, that there has been to our knowledge, nothing done about the relocation of people.

Another area is in contemplation with joint action by municipal and private initiative and again there is no provision for relocation of people. We feel this must be a part of any comprehensive plan of redevelopment. The people who are there must be placed and not just permitted to go into another depressed area and add to its problems of over-crowding. This may, as a part of an overall plan, result in more public housing. The main thing is that whatever is initiated a very comprehensive view should be taken.

In addition to redevelopment itself we like to think we should take the position which is sometimes called a matter of applying principles of urban renewal and in that it is not only a matter of clearance but it is also a matter of conservation. When we look into the matter of conservation, of course, we must be prepared at certain points to say while certain buildings may be rehabilitated, it may be more costly to do it that way than to have them completely cleared. We have to consider that there are certain changes taking place which are producing



life and adding to it and we must look to the ability to police, in a sense, particularly on over-crowding, keeping a certain standard of building and also considering those previous causes from beyond the community which might produce additional blight.

Just one question here that I would like to throw in, in addition to Dr. Rose's report. I think the whole question of air pollution is something that is perhaps not too obvious at times and based on that we perhaps look to the smoke stacks, but in larger cities because of traffic we have to widen streets, sometimes right through residential areas and the streets will be widened practically to the doorsteps of the houses and a great mass of traffic is funnelled through there and the amount of fumes from automobiles is something which I think adds to the deterioration of a community, to say nothing of the traffic hazards themselves. I think if a community has to suffer from an arterial highway which is necessary to the much larger area, more houses should be taken away than those which are up to the edge of the roadway itself - first, to give a bit of room so that the highway is not on top of the people and also from this point of view of the pollution of air.

It would appear that generally Canadians are unaware of the existence of the slum and blighted areas and what they do in terms of cost, both economical and social.

We feel that there is a very, very great amount of waste both economical and in our human





resources because of the present conditions. In Toronto we found that in the Regent Park North where there was municipal revenue of \$36,000 there were costs in terms of welfare, police and fire of \$95,000 before the project was completed. A similar area in the same city showed that where there were different conditions there was a revenue of \$80,000 and expenditure of \$20,000 in better living conditions.

We feel that efforts must be made to show the municipalities that their opportunities for slum clearance will produce greater revenue for them and that it will also do a great deal to assist the people in the depressed areas. We find that it is so much easier to see the immediate costs of the improvement rather than take a long term point of view.

I feel that perhaps this whole brief should be concluded with Dr. Rose's statement at the end in which he expresses our concern.

We are concerned with the appropriate roles of public and private enterprise in the field of urban redevelopment; we are concerned with the fact that relatively adequate federal and provincial legislation is not being widely utilized for a variety of reasons but partly because it appears to be the conviction of public servants that they must not "sell" the potentialities of the legislative provisions; we are concerned with the inhibiting effects of the financial problems of municipal governments upon their capacity or their desire to initiate programmes of urban redevelopment; we are concerned with the forces which



impede slum clearance and the fact that the potential social and "rehabilitative" effects for individuals and families may not be widely realized because the opportunities for living in adequate housing accommodation in a more adequate neighbourhood are not widely offered; we are concerned about the fact that some early experiments in urban redevelopment are proceeding on the assumption that we can "sweep families under the rug" -- to quote Mr. Albert M. Cole, Administrator, Housing and Home Finance Agency, Washington, D.C.; we are concerned about the very real possibility that the spread of slum and blight will continue rapidly for many years before we can muster all our resources in a variety of programmes of prevention and eradication; and, finally, we are concerned about the deplorable tendency that can be traced in our experience of the past fifteen years, that we appear to tire of programmes -- of public housing, of slum clearance, of redevelopment -- for which we have provided the legislative framework, before we have in fact undertaken more than a very few experimental projects. We are in the forefront, superficially, in the propagation of concepts, without having seriously tested the concepts we have discarded.

THE CHAIRMAN: Thank you very much,  
Mr. Dempsey.

MR. GUSHUE: Mr. Dempsey, there is a national association, a national association of community planning?

MR. DEMPSEY: Yes, sir.

MR. GUSHUE: Has that been active in





bringing some of these matters which you classify as matters of concern before the appropriate government?

MR. DEMPSEY: Yes, on a continuing basis.

MR. GUSHUE: It is an active association?

MR. DEMPSEY: Yes, we have organizations in each of the ten provinces and our national office is here in Ottawa and the various branches funnel their ideas and so on through the national organization which through us goes directly to the proper department of government. It might even go right down to the local level in the case of municipalities where a branch of the association makes particular recommendations at what we call the division level, which is the same as provincial. The divisional organization makes representations to the proper provincial government. Then our national council makes recommendation usually direct to Central Mortgage and Housing Corporation because in this particular field they are the appropriate federal agency.

MR. GUSHUE: You touch all levels of government really?

MR. DEMPSEY: Yes.

MR. GUSHUE: I happen to be associated with one of your branches and that is why I asked the question.

MR. GRAUER: On page 3, the project you mentioned in Toronto which was a private affair of some 1,500 dwellings, you mentioned certain limitations on that later on, but as a financial matter was it a success or is it a success, I should say?





MR. DEMPSEY: Yes, I would say it is, sir, because of the type of accommodation. It is not low rental.

MR. GRAUER: It is proving out?

MR. DEMPSEY: I have every belief it is.

THE CHAIRMAN: That is the one above the Arena Gardens?

MR. DEMPSEY: Yes.

THE CHAIRMAN: Are they not having difficulty renting the apartments?

MR. DEMPSEY: Well, there have been some remarks to that effect but so far there has been nothing official. But obviously it would be for a limited income group.

MR. GRAUER: With respect to slum clearance, do you expect more activity in the next ten years than the last ten? I realize there has been very little during recent years.

MR. DEMPSEY: Well, shall we say the setting is there in the next ten years, that it would be much easier than it has been in the past. We find, though, in terms of attitude and in terms of understanding of the legislation that these are certain barriers at the municipal level and I would say at some provincial levels (it is not true in the case of Ontario) there is a lack of understanding/what can be done with this federal legislation as it may be applied and also this very apparent feeling that certain people must be written off.

MR. GRAUER: But on top of that there



has been a tremendous competition for the municipal dollar -- so many things to catch up with and so many things to do. One would expect as some of these things are caught up there would be more money and energy for this type of thing?

MR. DEMPSEY: That is true and yet with the increasing sizes of the cities there is going to be less pressure to service the outlying area. They seem to be more obvious at this time and we feel there has to be a balance, that there is quite an economic loss in terms of people going away from the centre of the city, people of certain types of income who would be much better located and at the same time there would be a recovery in terms of taxation by the municipality.

THE CHAIRMAN: Mr. Dempsey, you mentioned the question of air pollution and talked about the gasoline fumes and that sort of thing. What about smoke in a city like Toronto? Is it an insurmountable obstacle to do something about the smog in the Toronto area? We have talked about it in Toronto for ten or fifteen years to my knowledge but it seems to get worse every year.

MR. DEMPSEY: I think there are ways of overcoming it and that again is a question of public opinion demanding it. Right at the moment we are all hopeful that something will result from the finding of the legislative committee of the Ontario Parliament which has looked into this. But on top of that, at the municipal level there has got to be a desire to





implement by-laws and to enforce them. For some reason we look the other way.

THE CHAIRMAN: Well, back in the '40's, I remember, there was a committee sponsored by the Toronto Board of Trade that worked for years working out a by-law and some people thought at that time it was just a question of having it passed and there would not be any more smoke, but it did not work out that way.

MR. DEMPSEY: Mind you, in fairness I think gradually some of those that have the greatest merit are being brought in but it seems to take a long time. There seems to be always an idea that we have to have equipment and we have to train, etcetera.

THE CHAIRMAN: Do you mean to say it is getting better in Toronto?

MR. DEMPSEY: I would say from the point of view of enforcement it is improving, but from the actual point of view there are more industries and more taking place.

THE CHAIRMAN: Thank you very much, and give my regards to Dr. Rose if you will.

MR. DEMPSEY: Yes, sir.

--- Recess

--- After Recess

THE CHAIRMAN: Well, Mr. Van Camp, I think we might get started.

MR. VAN CAMP: Thank you.

THE CHAIRMAN: Nice to see you back. We will mark your submission Exhibit 256.

MR. VAN CAMP: It is getting to be a



nice total.

THE CHAIRMAN: What is nice?

MR. VAN CAMP: From a statistical standpoint at any rate.

THE CHAIRMAN: Well, it is nice.

MR. VAN CAMP: This brief on the wild life resources has been prepared by Dr. McTaggart Cowan of the University of British Columbia although it has to be, of course, from a great many of the established wild life services. It is being presented by the Canadian Conservation Association and I was asked to represent them. Although I am not an officer, I am a member of that Association and it has rather distinguished members on its list, including Dr. Harrison Lewis, the former chief of the Canadian Wildlife Service and the late Principal Wallace of Queen's and people of that calibre.

One item that seems to be missing in this submission is the sport fishing part of wildlife and certain people from Newfoundland will notice that reference to salmon fishing and so on is missing, but it usually deals with the land animals, the larger game animals and game birds, rather than sport fishing which I think is an almost equally valuable part of the wildlife and might have been given more prominence.

With your permission, I will read sections of this brief since it has been prepared by an expert in the field and I am presenting the brief, not producing it.

The position occupied by the wildlife



resource in Canada can be appreciated only in relation to the unique geographic situation prevailing. Canada has an area of about 3,850,000 square miles. The population is concentrated along the southern fringe and there are many large areas without any inhabitants. In the most densely populated province, Prince Edward Island, there is an average of 45 persons per square mile but this is also the smallest province, 2,184 square miles, and has little effect on the general population density. British Columbia, Alberta, Saskatchewan and Manitoba all average less than four persons per square mile and in the Northwest Territories density was only .013 per square mile in 1951 -- 13 people per 1,000 square miles. The total population of Canada in 1951 was composed of 13,582,574 whites, 105,874 Indians and 9,733 Eskimos.

Ninety per cent of Canada's area is in forest or wilderness land. Here the sparse population relies almost exclusively upon basic natural resources. There are 712,000 square miles of productive forest land upon which forestry outranks all other sources of wealth -- that is a little comment which is all right for my other association, the Canadian Forestry Association -- but over the remaining three-fourths, wildlife is the only renewable natural resource upon which the human population can depend.

Furthermore, the unique legislative position of wildlife on the North American continent -- that refers to particularly, the Migratory Birds Treaty, between Canada, United States and Mexico -- the high

(Page 8699 follows)





standard of living, and the very large areas of land under government ownership and free to public access, have given wildlife an exalted recreational value in the eyes of the urban and suburban populations. Any citizen can, for a modest sum, secure a license to hunt game and be assured of a place to hunt within certain limitations.

Another important consideration is the ownership of game lands. Provincial or federal ownership of land not in use for agriculture is the rule. In British Columbia for instance, 97 percent of the forested land is owned by the province. On this the allocation of timber leases does not include rights to the game in the forest though it does grant the right to control access under certain circumstances, principally during fire hazard seasons. In general, provincial governments do not lease shooting rights on public land. The only exception to this of which we are aware is in the Province of Quebec, where hunting clubs can lease hunting rights on certain tracts of government-owned land.

In any country the primitive position of wildlife is that of a basic resource for food and clothing. The advance of settlement through the pioneering phase to stable agriculture, urbanization and industrialization -- about which you just heard in the previous brief -- brings accompanying changes in the concept of wildlife. Certain species become recognized as of continuing primary economic value, others become largely of sporting interest. Finally



man comes to take an interest in the fauna for itself; he finds in living animals a source of interest that vitalizes his enjoyment of outdoor recreation.

In Canada all stages of this evolution are to be seen contemporaneously. In the northern areas game is still recognized as a native food supply. In most regions it can be taken throughout the year by surveyors and mining prospectors for their own use. Most Canadian big game hunters are still interested primarily in the meat of animals they shoot. In the National Parks, on the other hand, the increased opportunity for human contact with all wildlife is stimulating an understanding of its value as a unique feature of Canada. From coast to coast there is a rapidly widening interest in wildlife for itself.

I might insert at that point that there is also another variation of wildlife which is almost impossible to put down in dollars and cents and that is the interest taken by the average person in the out-of-doors -- the bird watcher who would be a typical example -- the person who owns a summer cottage, drives there, spends a weekend and drives back, or people who like botany or just take a Sunday drive. There are so many things that make people go out-of-doors that cannot be put into figures that it is rather baffling to face an economic Commission and have these factors hazily but very obviously concerning the brief being given.

One of the most notable trends in the wildlife picture has been the great increase since 1945





in hunting and fishing as a recreation.

The nature and size of this increase is reflected in the annual sale of hunting licenses in Canada since 1943 (Table 1 and Graph 1). It will be noted that the number of licenses issued in this period has increased from 436,409 in 1945 to 1,031,758 in 1954.

These figures, of course, do not represent the total of Canadians participating directly in the use of the wildlife resource for in general Indians and Eskimos are not required to purchase licenses and in several provinces resident farmers are also exempt. Surveys of more limited coverage suggest that about 20 percent of Canadian males over the age of 18 years take an active interest in the resource.

The two tables are rather carefully prepared and they show a steady upward trend on page 6 in the number of hunting licenses issued with about the same proportion of non-resident licenses included in each of those years and that trend is rather typical both of Canada and of the United States and seems to be something that may continue on the same general line of advancement with our increasing population. On page 7 I will read the section there.

The position of wildlife among the natural resources of Canada is difficult to estimate because of the diverse nature of its impact upon different groups in the population.

In the vast wilderness and remote areas of the nation the game mammals in particular provide



an indispensable source of food. This is true, not only of resident native peoples, but also for white inhabitants of areas remote from sources of other food supply and for surveyors, prospectors and other travellers in the wilderness. The establishment of native communities and of later white settlement in the far north was, and largely still is, limited to localities where year-round local food sources were available. To the Eskimo and to many Indian groups, big game has provided such an essential source of food and clothing that failure of supply results in severe privation. There are abundant signs, however, of a changing status for the northland and within ten years the expanding interest in the vast area will have radically changed the picture.

With your permission I am going to move over a good deal of this which you consider at your leisure, if you have any, and come to page 11 in the second paragraph where we are concerned with some of the economic values.

Although we are concerned mainly with economic values it may be well to point out that over-emphasis on economics may lead to some serious misconceptions when considering the real value of the wildlife resources. Evaluating the resource in terms of cash is one way of getting figures to work with but does this really reveal the values we seek? Are we not more concerned with the value placed on the resource by the people of the country? The obligation of government to manage wildlife in the public interest





arises not from the economic considerations but simply from the fact that a large number of our people are interested in wildlife and wish to retain it as an element in their environment. To consider only the economic aspects is to take a too narrow view. Our task should be to emphasize the values of wildlife in whatever terms are necessary. To over-emphasize economics may lead us to very limited conclusions which may do little to serve the ends we have in view.

On page 12, one paragraph under fur resources.

The fur bearing mammals constitute one of the few directly saleable products included in the wildlife resource. It is difficult to obtain reliable figures upon the number of people directly engaged in trapping as all or part of their livelihood. The best estimate available places the number at 47,000. It should be understood, however, that many of these depend upon the fur trade for only part of their income and supplement the returns from their traplines by seasonal employment labouring, lumbering, fishing, or farming. That is quite true. As you know, a good many of these farm boys are amongst the trappers and it is just one of their part-time occupations graduating all the way to the other end of the phase where trapping is the major occupation of people in certain areas. On page 15 there is another comment relating to the species used in the fur trade, beginning in the second sentence at the top of page 15.

Fur is the paramount crop over thousands





of square miles in Canada.

The most important wild-caught fur animals are muskrat, beaver, mink, red squirrel and ermine in that order. The first four of these together comprised about two-thirds of the value of the raw fur crop in 1950-51.

Then, moving to page 17, in the second paragraph on page 17 there is a comment on the factor which shows up in management as against unlimited treatment of the wildlife resources.

The very high yields in Ontario and Manitoba reflect the outstanding success these provinces have had with their well planned and financed management programmes specifically directed toward beaver, muskrat, and mink. The high yield in Nova Scotia is in a different category as it rests largely on an intensively harvested squirrel population. Nova Scotia produced almost 15 squirrel pelts per square mile against the next highest crop of about five per square mile. It also had a relatively high yield of mink, muskrat, and weasel compared with adjacent areas.

While improved management methods applied to the fur bearing mammals in Canada have resulted in increased stocks in many areas, one of the most disturbing trends has been the steadily decreasing value -- not numbers but value -- of the raw furs marketed. The nature of this trend is revealed on Table 3 and Figure 2. These data are drawn from reports of the Livestock and Animal Products section of the Agriculture Division, Dominion Bureau of Statistics, and cover 12



months periods ending on June 30 of the year specified.

Three situations are apparent from this table.

1. The rapid decline since 1946 in gross market value commented on above.

2. The relative importance of the fur crop in the Northwest Territories where an area supporting less than one-500th of the population of Canada produces about one-tenth of the country's total production of wild-caught furs.

That Figure 2 figure on page 18 indicates a higher peak in about 1946 with one or two recoveries, with a general downward trend in the bulk of the years, which, of course, is related to a number of factors including fashions and things of that sort but they have a very serious effect on the people depending on fur as their source of income.

On page 21, there is a paragraph I would like to include under trends in economic value of wildlife.

Some of the difficulties involved in making an economic appraisal and forecast of the wildlife resource in Canada have been mentioned above. With these strictures however it was considered that a more detailed appraisal of the situation in Ontario would be illustrative of possible trends in Canada as a whole. Ontario, the wealthiest province of Canada and that with the largest urban population may well reflect the position that the wildlife resource will





occupy in other parts of Canada as population there increases similarly. Dr. C. D. Fowler, of the Ontario Department of Lands and Forests, has prepared the appraisal given here. And there are portions of that appraisal which we need not read here today but at the bottom of page 23 there is comment there, beginning in the last paragraph on page 23.

Ontario is a relatively wealthy, rapidly developing province in which the demand for outdoor recreation is increasing. The distribution of the population in relation to the land use pattern is such that a large proportion of sportsmen must travel long distances to hunt and, as a consequence, their expenditures are greater in comparison with those who can hunt locally. The expenditures of non-residents are much larger than that of residents.

And then there is a table of the resident fees and various other factors which bring out these totals brought out in numbers on page 27, in the first paragraph of page 27.

At present over 1.5 percent of the population buys a resident deer license. If the proportion does not change and the predicted population of 8 million (this is for Ontario) materializes in 1975, 128,000 people will be buying licenses. At present about one in twenty of our people buys a resident gun license. In 1975 will 425,000 people be looking for places to hunt small game?

It is just a prediction based on population trend and the hunting pressure which is almost



certain to develop on both deer and small game. I think I will go on to page 30 which comes up with the total of the experience in Ontario as predicted.

If the experience in Ontario can be taken as indicative of the probable trends of human demand upon the wildlife resource with increasing density of population and increasing standard of living, certain fairly accurate prognoses can be made for other areas of Canada. Population density in the western provinces is roughly one-quarter of that of Ontario. So far as these provinces are concerned, then, we can anticipate an increase in demand for hunting opportunities in proportion to the increase of population, at least up to a human density of 13 per square mile and probably to almost double that (vide Nova Scotia today).

There is abundant indication that the big game stocks of Canada are being harvested well below capacity at the present time. That probably will not be true of local areas but this is a national statement and on the average. That statement will probably stand. It is therefore probable that the present level of hunter success in the western provinces can be maintained with perhaps double the present number of hunters. Sooner or later, however, the point of diminishing returns will be reached. This will mean only that the relative success will decline, but the number of game animals taken will remain about the same. There is no way of estimating what the optimum game harvest, from the standpoint of long-term conservation, will be. It seems possible that it will be



in the vicinity of 70 million pounds of game meat.

There is some evidence from elsewhere, however, to suggest that the harvest of game meat can be very much greater than this.

Then he quotes from Michigan and even Denmark to show that under more intensive management than we have, the total or per square mile take may be greater. Then, I think I will conclude by reading the summary which gives a fairly good resume with the one or two exemptions mentioned that the purely recreational activities of wildlife are not stressed and that game fishing is treated rather lightly.

1. The Wildlife resource is the primary source of food and wealth for the Indians and Eskimos of Arctic and Subarctic Canada, but with increasing exploitation of these areas it will progressively lose this position.

2. There are about 47,000 trappers in Canada sharing in the fur harvest of about 20 million dollars under present fur trade conditions.

3. The number of fur animals available can be increased greatly over present levels but gross income from the raw fur harvest depends on demand dictated largely by fashion.

I would like you to notice, if you will, in item No. 4, the first paragraph on page 33, there is a very important decimal point missing. That is important to an Economic Commission. In the first paragraph it says:

"Fur yield per square mile of the total area





"of Canada approximates \$520 ..."

That should be \$5.20. That decimal should be inserted -- "approximates \$5.20 per square mile..." and varies from a high of \$13.70 per square mile in Manitoba to a low of \$1.30 in New Brunswick.

5. It is considered unlikely that a point of stability in the wild caught raw fur industry will be reached at an annual value above 20 million dollars.

6. There are currently 1 million licensed hunters in Canada. Evidence is that the proportion of the population taking part in hunting activities will increase with increases in the population until at least 3 times present densities are reached.

7. The present harvest of game meat in Canada is about 48,400,000 pounds per annum worth at least \$24,200,000 on a flat 50 cents per pound basis.

8. Experience in Ontario indicates that increasing human densities up to a provincial mean density of at least 13 per square mile, and possibly 36 per square mile, will be accompanied by proportional increases in demand for the wildlife resource.

9. No attempt has been made to evaluate the economic contribution of the resource in terms of the industries it supports. Otherwise, we would be overlapping in the statements made here.

10. Increased demands for wildlife as a recreational resource will necessitate improved management techniques, requiring more highly trained personnel.

11. The demand for big game stocks can



only be met if the critically important winter range areas are recognized, protected from alienation and developed for the primary purpose of wildlife production. Similarly key areas on the waterfowl migratory routes must be protected from drainage and dedicated to the wildlife resource.

That is the submission in portion and I am very happy to present it on behalf of the Canadian Conservation Association and the gentlemen who so kindly prepared the data.

THE CHAIRMAN: Thank you very much,  
Mr. Van Camp.

MR. LUSSIER: Don't you think that the professional hunter has a very precarious life now?

MR. VAN CAMP: The professional hunter?

MR. LUSSIER: Yes.

MR. VAN CAMP: It seems to indicate in the brief here that the large game animals can be maintained at their present stage or even increased under scientific management so in those circumstances the professional hunter, if that is what you want to call him would at least maintain himself or have more chance for maintenance.

MR. LUSSIER: But his life is affected by the change in furs and the change in fashions?

MR. VANCAMP: Yes, that makes a very unstable situation from year to year, particularly the man who is depending on trapping. I think the arctic fox was one example of that. The trend for long haired fur went out suddenly and people depending on that





suffered very sharply.

MR. LUSSIER: Speaking about foxes, I think there is an epidemic of rabies so it is very dangerous for people now.

MR. VAN CAMP: It is bad in Ontario now too.

MR. LUSSIER: Yes, and in Manitoba.

THE CHAIRMAN: The papers have been warning people not to touch dead animals.

MR. VAN CAMP: That points up possibly one thing that we are still rather somewhat low in the numbers of trained biologists, game monitors and people of that type, not only for government areas but a great many of the lands operated by the pulp and paper people on government land but where a game resort as yet has been considered incidental and not as an integral part of that timber resource.

THE CHAIRMAN: Well, thank you, Mr. Van Camp. I wonder if you would be kind enough to thank Professor McTaggart Cowan on our behalf.

MR. VAN CAMP: I would be delighted to do so and I certainly appreciate the chance to see you folks again.

THE CHAIRMAN: Thank you.

(At 4.20 P.M. the Commission adjourned until 10.30 A.M. Thursday, 8th March, 1956)



ROYAL COMMISSION  
ON  
CANADA'S ECONOMIC PROSPECTS

HEARINGS

HELD AT

OTTAWA, ONTARIO

MARCH 8, 1956

VOLUME 45



OTTAWA, ONTARIO,  
Thursday, March 8, 1956

APPEARANCES:

Mr. G. A. LaBine, O.B.E., President,  
Gunner Mines Limited

Mr. George G. Croskery,  
Secretary-Treasurer, Canadian  
Teachers' Federation,  
Dr. J. D. Ayers, Research  
Director.

Mr. Don Brown, President,  
Amalgamated Unions of Canada,  
Mr. Earl Dumarecq, Vice-President,  
Canadian Association of Railwaymen,  
Mr. Ernest Smith, General Representative,  
Amalgamated Unions of Canada and  
Chairman, Canadian Association of  
Railwaymen.  
Mr. Roy Ellis,  
Mr. Roy Youngson,  
Mr. Walter Monk.

Mr. G. N. Martin, Councillor,  
Engineering Institute of Canada,  
Dominion Bridge Company.  
Dr. L. Austin Wright, General Secretary,  
Engineering Institute of Canada.

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THE CHAIRMAN: Sit if you would sooner.

MR. LaBINE: Thank you. I hope I did not delay your proceedings this morning. I do appreciate the privilege of giving to you my views on the problem with which the mining industry may be faced, and upon the ways in which these problems could be alleviated or overcome during the next two or three decades. However, I may say that I have not got any crystal ball.

The terms of reference in your letter to me were very broad, and many of them will be fully





covered by other submissions, -- other submissions, of course, which I have helped to get together for the Commission. With your permission I would like to confine my remarks to matters concerning Canada's uranium policy, and the development of Canada's North West. I would be pleased to answer questions on the broader aspects of mining at the conclusion of this brief statement.

#### CANADA'S URANIUM POLICY

Much of Canada's uranium policy is bound up in security regulations, and it is not possible to discuss it fully at this time. It is my view that the sooner the veil of secrecy can be lifted, the better it will be for Canada and the industry as a whole. As it is now, no investor can properly evaluate his uranium investments, and a grave responsibility lies with our government on the protection of shareholders in the uranium industry.

The uranium industry is entirely dependent on a Crown company, Eldorado Mining & Refining Company Limited, for the marketing of its product, and as long as this policy continues, the future of the uranium industry in Canada is dependent on government policy, and only the U.S. and Canadian governments -- and I might include the United Kingdom Government -- can determine the future economic prospects. In effect, the industry must attempt to forecast not what the future will be for the uranium industry, but what the government will forecast the future to be.

The present purchasing policy of the Crown



company, is to a large extent, a subsidy policy, and it is not a healthy position for any industry. It might be pointed out that the sole purchasing agent of uranium is also a competitive producer, has a monopoly on transportation in this area, and might conceivably be prejudiced in its present or future purchasing policies.

Best endeavours should be directed towards having one price for uranium precipitate, at a price necessary for the government to meet all its requirements. The present method of pricing uranium under a particular contract agreement takes into account certain costs which are the major factors for deposits in the more settled areas, but in isolated areas where the risk is greater, no provision is made for the higher cost of raising capital or the higher cost of providing auxiliary services such as housing, employee amenities, communications, and other services.

It is becoming obvious to those closely connected with the uranium industry that there will be a continuing market for uranium after the completion of the uranium contracts in March 1962, and the sooner the restrictions are lifted on the sale of uranium, the more rapid will be the transition of the uranium industry from one dependent upon military requirements to one which will play a vital part in the generation of power throughout the world. We should be working now towards the freedom from government control within the limits of security on the sale of uranium in an open market so that a world price may be established. The first





logical step is the right to an export permit for the sale of uranium to licensed purchasers throughout the western world.

At the present time private industry is not permitted to process uranium beyond the concentrate or precipitate stage. Private industry should be permitted to refine its precipitate to the metal oxide stage, if not to the metal itself, as is the policy in the United States. We have been told that the cost of uranium may determine the market. Open competition in all phases of production will provide the incentive to lower costs.

#### Royalty Provision for Uranium Mines

I would like to point out that at the present time no provision has been made in the Dominion - Provincial tax agreements for the production of uranium. As a result, only 15 percent of the net income earned from producing uranium is considered income from processing operations, or income from treatment of the ore beyond the collar of the mine shaft. The result is that Provincial Royalty is payable on 85 percent of our net income.

In the case of the nickel-copper industry, the tax agreements provide that not over 60 percent of the net income will be subject to Provincial Royalty, and in the case of some mines, only 35 percent of net income is subject to provincial Royalty. This is a matter which should be receiving the careful consideration during the present negotiations of the Dominion - Provincial tax agreements for 1957.



When we take into consideration that the provinces do not recognize interest on funded debt as an expense, the result is that the Provincial Royalty may be payable on over 100 percent of net income.

The Development of Canada's North West

The balance of my remarks will be confined to matters concerning the development of Canada's North West.

The great problem for facing the development of this vast area of Canada is the need for communications in the broad sense of the word. Telephone, telegraph, TV, radio, rail, -- I am not stressing too much television.

THE CHAIRMAN: Waiting for Mr. Fowler, are you?

MR. LaBINE: Yes.

... road, postal services, water transport, air transport, power line, fuel distribution, and all communication services we expect in Southern Canada as the right of the communities, are lacking throughout much of Northern Canada. While my remarks will apply generally to the whole of Canada's North West, they will be directed primarily to the Beaverlodge district of Northern Saskatchewan, and in particular as they apply to the uranium development of Gunnar Mines Limited with which I am associated.

The Beaverlodge area was actually staked for uranium in 1944 and the first production of uranium precipitate was recovered in 1953. By the end of this





decade the area will have produced upwards of \$300 million worth of uranium and will support a population of 10,000 people. Some people may question that figure but I am reasonably sure that is what it will be.

#### Water Transportation

At this stage of development water transport from Waterways to Beaverlodge is the lifeline of the uranium industry in this area. It is limited to an open season from June 15th to October 1st, more or less, each year, 15 weeks in total. The area may expect a loss of one week's operation due to weather conditions in any season, and with little notice a third to a half of the open season may be restricted to half loads by low water conditions. In recent years we have had the good fortune to have high water during the shipping season, but low water in 1957 could quickly assume disastrous proportions to this vital and basic industry. Last year 68,000 tons of water freight was moved into the Beaverlodge area. This year 140,000 tons was the estimated payload made in January. A revised estimate just recently was 160,000 tons. Plans under discussion between now and the open season may very well increase this estimate for 1956.

Last year Gunnar Mines Limited had a taste of what might happen to its operation when vital supplies of sulphur and oil were frozen in at Waterways. A reduction of one-third of her operating supplies due to adverse conditions would shut down the company's operation for six months. It is hardly a justifiable risk for the Federal Government to ask a private company to assume





when the key to the situation rests almost entirely in government hands. Within two government departments and one Crown Company lie the responsibility for the water transportation system between Waterways and Beaverlodge, as well as the Mackenzie River system to the north. The Department of Transport is responsible for "Aids to Navigation" and the Department of Public Works is responsible for carrying out surveys on the system and installation of public harbour facilities and dredging operations. While there are several small companies in the water transportation business, they operate primarily for their own interest, and the Crown Company, Northern Transportation Company has almost a monopoly on shipping operations. This transportation company is not a government-subsidized operation, but is a company operating for profit as a wholly-owned subsidiary of Eldorado Mining and Refining Company Limited.

So far as the two government departments are concerned it appears to those trying to establish an industry in the north, that the government considers the Athabaska transportation system a fur traders' route and that only emergency measures need to be undertaken to meet the uranium flurry in Beaverlodge and the D.E.W. line operation in the arctic. Any industry or industrial area which will bring \$300 million of new wealth to Canada is not a "flurry" and is worthy of more consideration.

There is no doubt in my mind that the Athabaska system is a transportation route of major



consequence and that matters of aids to navigation, dredging and water level control should be embarked upon so there would be no interruption, day or night, in travel on any section of the transportation route.

A serious condition now exists, and the work of surveys, dredging and flood control for holding back the spring run-off, should not be undertaken on a Monday-to-Friday week basis, but as an emergency measure and plans should be formulated and action taken to meet the minimum requirements stated above.

On the question of freight rates, it would appear that in the interests of developing the north, a programme of freight assistance would be justified. Encouragement of competition might also provide an incentive to lower rates. Rail freight rates from Edmonton north are due for revision in view of the tremendous increase in recent years. And I might say, gentlemen, that this railroad is still considered a construction road so we are paying construction rates.

To bring the Gunnar Plant to its present stage of development, over \$1 million has been spent in transportation charges -- \$750,000 was spent on water transportation charges from Waterways to Beaverlodge and \$250,000 for air freight mainly from Edmonton to the mine. Water freight charges are 9 cents per pound from Waterways to the Gunnar dock. Air freight rates from Edmonton range from 6.5 cents per pound via Gunnar-Nesbitt Aviation Limited and up to 19 cents per pound air charter transportation.





### Primary Power

Primary Power is essential in advancing industrial development in the north. There is no hydro power site within 100 miles of the Beaverlodge area. It would take some years and a greater power demand than presently exists for private enterprise to risk the capital involved. Power sites, however, are available at Fond du Lac in the East, and Fort Smith in the West, which can only be developed economically on a large scale. If sufficient incentive by tax means or by long-term government investment on a lease-purchase agreement similar to that used in the pipeline development in Northern Ontario could be arranged, then private enterprise might be justified in undertaking the development of one of these sites. Primary power development is a field which might lend itself to government participation both by Federal and Provincial authorities, as has been amply demonstrated by the Hydro Electric Power Company in Ontario.

Under present circumstances, mining companies in the Beaverlodge area have to provide their own power. There is a 20 percent duty on the larger diesel electric units which are not available in Canada, and a Federal sales tax of 10 percent on diesel fuel used for primary power. Government assistance in the production of primary power in Northern Canada is, in effect, a penalty charge on capital and operating expenses. Industrial enterprise in the south is not subject to these expenses as most primary power is produced from hydro electric development.



Telecommunications

The telecommunication services in Beaverlodge are entirely inadequate. I am speaking specifically about our own experience in the past week, gentlemen, February 27th. The weekly report from the mine of February 27th, 1956, illustrates this position clearly.

"An accident occurred Saturday night which vividly demonstrated the inadequacy of the area's communication facilities. A workman received serious head injuries at 10:30 p.m. on Saturday necessitating immediate attention and evacuation to a city hospital for neurosurgical attention. Gunnar radio was able to communicate with the Uranium City only through a taxi office and raise both the Saskatchewan DNR station and the R.C.C.S. station at Eldorado. Neither of these agencies was able to communicate with any outside contact and it was only through an amateur radio man on the ham bands by way of Calgary and then GrandePrairie were we able to contact Edmonton by the early hours of Sunday morning. The R.C.A.F. Search and Rescue were dispatched and evacuated the patient to Edmonton, but not through any normal communication."

Standard broadcast from Edmonton and Saskatchewan stations is poor at any time, and normally cannot be picked up during the daytime. Short wave





facilities from Russia to many areas of the north give us good reception. There is an urgent need for efficient communications by the Department of Transport, by Army Signals, by CBC and by industry generally in the area. One manufacturing company has offered to establish a standard broadcast channel and four telephone channels by "scatterwave" technique from Edmonton or Waterways on a turnkey contract.

If CBC and the Department of Transport were in a position to guarantee the use of a broadcast circuit and one telephone circuit over four or five years, it would not be difficult for private industry or the Saskatchewan Government Telephone Company to undertake this telecommunication link. Such a service could be extended northward in 250 or 500 mile hops to serve the whole Mackenzie River system. A little co-ordination between the needs of the various government departments and industry would assure the success of such a telecommunication link now.

#### Fuel Lines

An alternative electric power line from the remote power sites to Beaverlodge might very well be the construction of gas transmission lines from gas fields to the south and west of the area. The initial capital cost would be high, but on the long term might prove to be economically feasible.

#### Road and Rail Facilities

For the first time this year an attempt was made to put a winter road through from Southern Saskatchewan. It is unlikely that this would ever be





of any economic significance, but in view of the dependence of the whole area on the water transport system, the time is fast approaching when serious consideration should be given to a road or rail link with the rest of Canada. Such a link would give tremendous impetus to the opening up of large areas of potentially valuable mineral resources in Northern Canada.

#### Postal Services

Postal services are poor in the area. Mines close to Uranium City are presently served by C.P.A., but those mines such as Gunnar which are not served by C.P.A. are dependent upon charter service at not too regular intervals for distribution of mail from Uranium City. Gunnar Mines has been engaged for seven months in endeavouring to improve this postal service to meet the requirements of the mines and fishing industry on Crackingstone Peninsula, but red tape in the Post Office Department and with the Air Transport Board has held up the establishment of an adequate postal service in this area.

#### Air Transport

Air transport in the North is a vital means of communication. The Beaverlodge area is served by two airfields, one near Uranium City, and the other on the Crackingstone Peninsula. It is one of the finest in Northern Canada. I don't know, Mr. Chairman, whether you and your Commissioners have been in that area, into the Beaverlodge section.

THE CHAIRMAN: No, we were not.



MR. LaBINE: The one at Uranium City has a sharp vertical curve, is not capable of extension, and can only handle the smaller aircraft. The airport on the Peninsula is 5500 feet long, is rarely closed in due to bad weather conditions, and could play a vital part in the defence needs of the country. To date the Department of Transport has not seen fit to lend financial support to its development, nor to improving the services. A year ago the Department offered to pay 50 percent of the cost of construction of the airport and facilities, but not over \$10,000. We have spent \$450,000 to date. This airport, with the addition of certain aids to navigation, could be used for day or night flying under all conditions. It is one of the finest in Northern Canada.

Federal Tax Assistance

The present policy of allowing a tune-up period for new mines, and the three-year tax exemption, has been of major benefit to this new industry. In many cases it has made possible the senior financing of these risk ventures.

Its benefit was amply demonstrated in the case of my company, Gunnar Mines Limited. Early freeze-up, bad weather, and shortage of water transport, left vital supplies at Waterways over the winter months. 1955 was the first winter that the company could operate as a production unit under sub-arctic conditions. Some equipment did not stand up under these conditions. The tune-up provision softened the blow by providing for three-year tax exemption under full production





conditions instead of at a lower rate.

I would like to point out that any new mines situated anywhere in Canada received these benefits. A good case can be presented that tune-up and tax-free provisions of the Income Tax Act should provide additional assistance to those mines operating in isolated areas under arctic and sub-arctic conditions. For example, at Beaverlodge, it has been estimated that construction costs are up to 50 percent higher than the costs of similar operations in the mining areas of Ontario. The additional tax-exempt period and tune-up provision might be graded according to latitude or more equitably on a basis of cost of construction and services, as determined by the Bureau of Statistics.

#### Conclusion

For the future, the uranium industry looks ahead to the day when it may depend on its own enterprise and efforts under free market conditions.

For the future, Canada's northern industries, communities and services look forward to accelerated development, but with the same government interest and support that both the Federal and Provincial Governments gave to the early days of development of Canada's earlier frontiers.

We have nothing to fear but fear. We have unlimited resources in Canada's north. We have a good political climate for our development and we can look forward with confidence to the continued need for the products of our mines, particularly to the uranium industry.



I want to thank you, Mr. Chairman, and gentlemen and express my appreciation for giving me this opportunity.

THE CHAIRMAN: Well, thank you very much, Mr. LaBine. We will steal these notes from you, if we may, and mark it exhibit 257 for the record.

MR. LaBINE: Any questions you would like to ask?

THE CHAIRMAN: Yes, I think we would like to discuss some of the things you had to say.

MR. GRAUER: Mr. LaBine, on the idea of achieving a free market would that involve the scrapping of the Crown company?

Mr. LaBINE: Not necessarily, sir.

MR. GRAUER: I was just trying to visualize the alternative organization you had in mind.

MR. LaBINE: Well, Mr. Commissioner, the same organization in uranium as we have for copper, lead, zinc or anything else. I think any industry can be healthy if it is a profitable industry and the sooner it is felt consumption is disposed of within certain limits the sooner we will all know where we are at and it will be much more favourable for the industry in general.

MR. GRAUER: There is no Crown company in those other fields but I take it you feel it is only because of the security aspect.

MR. LaBINE: I don't know whether I made myself clear but the Eldorado Mining and Refining Company has not only the sole purchase of uranium for



the Atomic Energy Commission in the United States but is also a competitor in the field of mining and I think it has certain advantages which are not fully disclosed.

MR. GUSHUE: How is the price established?

MR. LaBINE: Well, I assume it is established by the joint efforts of the United Kingdom, United States and Canadian Atomic Energy. You see, up until two years ago, sir, the Eldorado, which is a Crown company, were the only producers in Canada of uranium. These are the results of our early exploits in the far northwest and being the only producers in Canada they naturally got into the centre of this uranium development with the various nations and consequently had an opportunity of fixing the price of uranium and becoming the sole agents. Then, when we, as private enterprise came on the scene, under the War Regulations, we were required to sell to Eldorado for security reasons, so to a great extent they fixed the price of uranium. They know what we are getting but we don't know what they are getting.

MR. GUSHUE: You but know you are getting the agreed export price?

MR. LaBINE: Well, these prices vary in the United States a good many dollars per pound.

MR. GRAUER: Have there been any conversations along the line of allowing private industry to process up to the point of requirements?

MR. LaBINE: There has not yet. There is apparently some discussion at the high policy level





now and there is some consideration being given to it. That is what I hear.

MR. GRAUER: Well, in the United States they are allowed to process up to and including refining, aren't they?

MR. LaBINE: Yes.

MR. GRAUER: That is a fairly recent development there?

MR. LaBINE: Yes. There are certain companies which are licensed that do that for the Atomic Energy Commission.

THE CHAIRMAN: Mr. LaBine you were talking about the provincial royalties on uranium. How are they calculated?

MR. LaBINE: Well, of course, we are in a new province out there. I don't know whether you are familiar with Saskatchewan. They have their own methods of calculation and I must say they are somewhat different from the way we handle it in Ontario but not being a tax expert it is pretty hard for me --

THE CHAIRMAN: Anyway, you make a good contribution?

MR. LaBINE: We make apparently a very excellent contribution. We are not only taxed after we get the stuff out but even taxed on what we bring into the country on new equipment that we bring in to develop the country which I think is not quite fair, and before you are in production. I don't mind paying reasonable taxes but I think this is a matter that could be looked into by the Provincial-Federal



organization and we should have some equitable arrangement with the provinces surely.

THE CHAIRMAN: There are two other questions I would like to ask you. I gather you feel that the Northern Transportation Company does not serve your requirements in that end of the world today with satisfaction?

MR. LaBINE: Well, I just made one comment in my submission, sir. We were left hanging with some 2700 tons at the end of railhead last year and our quantities of ore last year were greater by comparison to what we are going to have this year because our estimates already exceed 140,000 tons on this one operation so we are trying to help out and safeguard our position by purchasing atug on our own and some barges because it is a big year and we hope it will help to give us some relief but we are really all worried about the transportation system and the control of water in that field. Personally, I don't know whether you know, sir, but I developed the Northern Transportation Company and built it up and I know something about the Athabaska - Mackenzie route as a transportation route. I have seen this thing developing and it is beginning to be a very serious problem. If we as operators don't have delivered all our equipment and supplies, particularly sulphur and oil then our operation is not going to be 100 percent. We are just going to have to close down.

However, I am hopeful they are going to do the best they can and next year maybe. However,





to relieve the situation we are buying additional boats and barges but over the last 20 years there has been nothing done to control the water routes, the run-off of the water for that area and that is where the serious situation may exist. If the water runs off and we have low water we just can't transport but that could have been eliminated long ago. It could be eliminated yet. The barges on the river instead of working a full six or seven days a week like we do, they work eight hours a day in that week from Monday to Friday and they don't care what happens after that. If there is a bar there they don't take it out. The poor old boats have got to go down there and deliver stock. I think there should be an aggressive effort to keep those channels open.

THE CHAIRMAN: That was not the way you developed Eldorado?

MR. LaBINE: No, sir.

THE CHAIRMAN: I might say that Mr. Lussier, Mr. Grauer, and Mr. LePan and Major LaFrance and I spent two nights at your old show and we were very much impressed and we were very well looked after.

MR. LaBINE: I am sure you would be.

THE CHAIRMAN: Our only disappointment though, was that on that particular occasion the best radio communication was out of order. We didn't hear radio Moscow. You mentioned a few minutes ago that the communications from Edmonton, I think, were poor. Is that because of scientific conditions or because stations are not powerful enough or what?



MR. LaBINE: I don't think there has been adequate equipment put in there to give us the proper type of communication. There has been, as you probably know, some very excellent developments in the last couple of years on new communications. I think it is Westinghouse recently came in to see us with equipment they guaranteed to give excellent service in there but it is pretty hard for one private organization to take the full load of putting in that type of communication. I think if there was a concerted effort between the various departments of government who need the communications as well as we do and if they would contribute to the development we would have excellent communications right to the valley of the Mackenzie and right up into the river Monk.

THE CHAIRMAN: We did go into the valley of the Monk. The communications in that area are only by the Signal Corps.

MR. LaBINE: Yes, the Royal Canadian Corps of Signals.

THE CHAIRMAN: What are their facilities?

MR. LaBINE: Their facilities are good but they are not adequate for what we need in operating mines or big industrial plants. What we should have in very many cases in communities like Beaverlodge or Uranium City and Yellowknife, I think they should have communications which would mean a great deal. Take the case of an accident like I have indicated. We have a great country up there, gentlemen, and I think it is one of the countries that offers





greater opportunities than any other place in the country or in the world and it is only by us who are familiar with the country and men like yourselves who get behind these things that we are going to induce any men to get in there and undergo hardships -- not the hardships we underwent in the last 30 years, but there are a lot of advantages in the far north, it will pay off.

MR. GUSHUE: You mention the beginning of a road. Do you expect relief from that?

MR. LaBINE: I don't know how far it is going to be extended. They have started on it but whether they will ever complete it, I don't know. It was started by the Province of Saskatchewan and whether the province will complete the road, I am not sure.

MR. GUSHUE: What distance is it?

MR. LaBINE: Well, from Prince Albert, I would say it is about 350 miles.

MR. GUSHUE: You don't expect any immediate relief?

MR. LaBINE: No, sir. The only logical relief is by river, the natural channels into the country. If that situation was improved it would greatly help.

THE CHAIRMAN: Well, Mr. LaBine, we are very grateful to you. You mentioned the kind of hardship you were able to deal with successfully when you were starting in. We were impressed by the fact that there is a little snowstorm this morning but you were here right on time.

MR. LaBINE: Well, I just had to hoof it.





I am sorry I was not up on the Great Bear when you gentlemen were up there but I would like to leave this impression with you: it is an amazing spot of concentrated wealth but there are many more of these in the northwest if we just go after them and look for them -- plenty of them. I don't know of any place in the world where there is such an extensive area of mineralization and favourable rock structure as in that section of northwestern Canada from Hudson's Bay on the east to the Mackenzie river on the west and right through to the Arctic Islands. I have been right up in there and there are excellent possibilities all over. Some day you are going to see a number of new communities up there.

THE CHAIRMAN: We have every intention of going back but we have got to get this job done first.

MR. LaBINE: Go back with me after your job is done.

THE CHAIRMAN: Thank you very much.

MR. LaBINE: Thank you, sir.

--- Recess

--- After Recess

THE CHAIRMAN: Well, Mr. Croskery, you were good enough to send us your submission some little while ago. We will mark it exhibit 258 and if you will proceed to present it, we are ready to receive it.

MR. CROSKERY: I think, Mr. Chairman and gentlemen, you will notice that this is a brief brief and I think we have put into words here just what we do want to say and I shall adhere to the text pretty



closely and perhaps leave out a little of the padding that appears here and there if that is permissible.

THE CHAIRMAN: Fine.

MR. CROSKERY: Any appraisal of Canada's economic prospects would, we feel, be incomplete without an appraisal of our educational system and an examination of the prospects for the development of our human resources keeping pace with the utilization of material resources. Concentration on the development of Canada's natural resources in forest, mines, soil, waters, etcetera will not mean much, we feel, if we neglect the country's greatest natural resource -- its children.

There is apparently an intensified recognition of the needs of education and all facets of our society are giving expression to those needs. At no time in our history have Canadians been more "education conscious". I think you gentlemen will all appreciate that particularly this week when we are getting almost to the saturation point in education, the Education Week. The problems confront us but the solutions evade us. Surely, when Canada stands on the threshold of a great economic development, we cannot afford to throw away our opportunities through shortsightedness and inaction in regard to education. The time for concerted and constructive action is now.

We are not suggesting the Royal Commission on Canada's Economic Prospects can be a culminating activity in respect of the solution of problems in education. Such problems constitutionally





lie within the jurisdiction of the provinces. However, the stark fact is that provincial governments and local educational authorities have no present prospect of being able to cope financially with the magnitude of the task before them. The Royal Commission is in a unique position to mirror the montage of our educational crisis and is competent to assess the important relationship between education and Canadian economic prosperity. It appears to us that the financial implications of an adequate educational programme quite properly could have an important place in the report of the Commission. The Commission may be the instrument for launching a movement for provincial-federal government teamwork to finance an educational programme that will enhance Canada's economic prospects and make possible the fulfilment of Canada's destiny as an enlightened nation and a great world power.

Now, we thought we might take a look very briefly at some of the needs.

#### Demand for Scientists and Engineers

Canada faces an unprecedented demand for scientists and engineers. We have heard that from all sides in recent months. Almost as pressing is the need for technicians and skilled labourers. This situation is interrelated with education at all stages from primary to university post-graduate level; it is closely linked with teacher education and, specifically, with the quantity and quality of secondary school teachers in fields of mathematics and science. The shortage of scientists, engineers and technicians begins



in our schools and is accentuated when the high costs of university education draw off additional thousands from the already limited potential emerging from the secondary schools.

Signs of Progress but Needs Increase

In recent years, there are signs of heartening progress in education generally across Canada. The rate of classroom construction is higher than ever before. The value of construction work performed for schools and other educational buildings jumped from \$156,161,000 in 1953 to \$191,890,000 in 1955. Teachers' salaries increased in many communities and substantially more young people are entering the teaching profession. Despite these encouraging signs, an examination of the trends shows that we are lagging far behind requirements. Dr. M.E. LaZerte in his recent research for the Canadian School Trustees' Association estimates the value of school construction required at \$340 million per year for the next ten years for new buildings -- I might say that is his average, his ten year estimate -- and \$125 million to make needed repairs and improvements to present classrooms.

Now, the Canadian Teachers Federation --

DR. AYERS: I am Dr. Ayers of the research division. We feel that is a little excessive. Our own estimate of costs of construction is a little lower.

MR. CROSKERY: Enrolment prediction for elementary and secondary schools based on a projection





prepared in October 1953 indicates an increase in the number of pupils from 2,970,000 in 1954-55 to 4,380,000 in 1964-65. On this basis our estimate for annual construction costs over the next ten years now would be closer to \$200 million rather than the \$340 million. The higher rate of increase will be in the secondary schools where it is estimated enrolment will double in the next decade. At the present rates of recruitment and retention of teachers -- and I put emphasis on the "retention" there -- this increase in enrolment of students will far outstrip the increase in the number of teachers. Add to this situation the factor of need for not only more teachers but also better qualified teachers and the problem becomes that much more difficult.

#### The University Situation

Enrolment prediction for undergraduate and post-graduate students in Canadian universities and colleges likewise presents a serious problem. A total of 64,104 undergraduates and 3,044 post-graduates in 1954-55 will probably grow, following the trend, to 122,900 undergraduates and 6,000 post-graduates by 1964-65. In other words, the number of students to be accommodated in our universities and colleges will double in the next decade. When one thinks of the efforts expended to bring buildings, equipment and teaching staff to the present level, which now is taxed to capacity, one realizes the magnitude of the problem that confronts us if our universities and colleges are to maintain merely the present level of services to the Canadian community. This projection has taken no account of the





possibility of drastic changes in social and economic conditions. It is worthy of note that whereas approximately 20 percent of the college age population (18-21 years) of the United States are enrolled as undergraduate and post-graduate students, only 7 percent of the Canadian college age population are at our universities and colleges. Moreover, the projection referred to above indicates that no more than 10 percent will be enrolled by 1964-65.

I might comment there that our own feeling in the Canadian Teachers Federation is that that 10 percent may be a little low, that perhaps the curve which is now a straight line, might curve a little and we might anticipate even a little more than that.

At a time when usually reliable sources are reporting great technological and scientific advances resulting from the educational system of the Soviet Union, this Canadian situation can conjure up some frightening consequences that could result from the inadequacies of our educational facilities. Even security alone warrants drastic action in respect to the improvement of Canadian education. I don't know, sir, whether you saw a little item that was passed on to us from External Affairs last week, but I think it is interesting here, just as a sideline, with reference to the Russian figures we hear so much of these days, that beginning in 1956 they are arbitrarily assigning 80 percent of their graduates in certain faculties in the university to secondary school teaching jobs. I am not suggesting that we should emulate our Russian



colleagues, but I do think that points this situation up.

Importance of Humanities and Canadian Culture

We do not suggest that the acquisition of material wealth and the provision of material comfort are all that matter, but they are a means to a goal when coupled with enlightened policy in the social sciences. Any provision for improvement in educational facilities in Canada must be directed toward bettering education in the humanities as well as in the sciences. There is a need for nurturing a culture for Canada. This culture will include arts, crafts and customs, reinforced by traditions and beliefs. It will take into account our material resources, our scientific knowledge, our religious practices, our family and social systems and our government: the practical things of life as well as the graces. If Canada is to maintain her place in the world as a nation of consequence, our cultural progress cannot be looked upon as something incidental. It will come only as the result of conscious effort and in this effort, education must play an important role.

Now, let us look for a moment at the relationship of the federal government to this situation.

The education of Canada's youth is the business of all Canadian citizens. It is big business and important business, expanding rapidly and demanding continuous planning, research and evaluation.





Constitutionally, with respect to administration and control, it is a provincial matter and, generally, the provinces have developed good school systems within the limits of their financial ability. However, the federal government, without interfering in any way with the constitutional rights of the provinces, has provided some financial assistance for certain specific educational purposes. It has made grants for apprenticeship training, youth training, reestablishment training, vocational training, and vocational schools assistance, including grants for capital expenditures for buildings and equipment. It has assumed the cost of education of Canada's Indians and of the schools in the Yukon and the North West Territories. It has paid for publications for use in Citizenship and Language classes for new Canadians. Through the Department of National Health and Welfare, it has expended money for physical fitness, for the training of needed health workers, and for research in the universities. Through the National Research Council, the Atomic Energy Control Board and the Defence Research Board, it has given about \$1,500,000 annually in recent years to universities for scholarships and research. In a small way, too, it has co-operated in the provision of Dominion-Provincial scholarships and bursaries and, recently, as we all know, it has made approximately \$7 million a year available in grants to universities to help them offset mounting administrative and teaching costs.

Education must move forward in Canada on a broad front. It seems not only desirable but also



inescapable if Canada is to progress economically and socially. The projected costs involved over the next 20 year period, we feel, are beyond the means of the municipalities and provincial governments, unless their present restricted sources of revenue are expanded. Accepting the fact that the provinces control education does not rule out recognition of the fact that the amount and the quality of education available have a bearing on certain aspects of national affairs such as security, development of our natural resources, Canadian culture, and political and social maturity.

We believe, sirs, that the Commission will find it difficult to report on Canada's economic prospects without a reference to education. We submit that in the national interest, the Federal Government, either through its taxation agreements with the provinces or by direct grants in aid of education, must ensure that the provinces will have enough money to provide adequate educational facilities offering equal opportunities to all Canadians regardless of their geographic location and their family economic status.

Now, the Commission may have some questions and Dr. Ayers and I will do our best to answer them if we can.

THE CHAIRMAN: Thank you very much.

MR. GUSHUE: I think your case is very clearly that much more needs to be done for education than is being done, that there is a modest start but we cannot reach for we must reach on purely provincial and municipal resources?





MR. CROSKERY: That is right.

MR. GUSHUE: We have no quarrel with that.

MR. STEWART: I take it from your reference to the limitations of the Commission on page 2 that the emphasis on financial support, pages 6 and 7, does not mean that you think the financial problem is the only problem in education?

MR. CROSKERY: No, we don't think the financial problem is the only problem. We think that the problem of quality is one that is pushed aside a bit when we discuss the immediate emergency with respect to quantity.

MR. STEWART: Have you looked in some detail at the prospects, say, for the next five to ten years in terms of the numbers that can be made available?

MR. CROSKERY: Are you speaking of numbers of teachers or do you mean available accommodation for the increased enrolment?

MR. STEWART: The numbers that will emerge from the educational process or be available for teaching in other industries?

MR. CROSKERY: I am not sure that I understand the question, sir.

MR. STEWART: Well, in Alberta at least it is so that the bulge of young people is now entering the high school Grade X and as you point out the large increases in the schools relatively will be in the secondary schools.

MR. CROSKERY: Yes.





MR. STEWART: Now, there is an important time lag here. In view of the continuously increasing demand it seems that for a number of years at least we just won't have the bodies available to do a lot of the things?

DR. AYERS: I would like to comment on that. This is a theory or a position that is brought up by Jackson and Rivers in a report that they did for the Canadian Department of Education so I went back for the last seven or eight years in Ontario to find out the number of students enrolled in each of the months from 9 to 13. Except for one year, the number of students in these groups has been increasing in the time of the baby shortage. I think in the case of Ontario there is a double index. One is immigration and the other is an increasing proportion of the students attending high school. So that this shortage, although there was a baby shortage in the '30's, we have a higher proportion of those students attending high school so that the situation is not quite as bad as we believe it is.

MR. STEWART: Well, we recognize that because in most universities at least the admissions have been increasing slightly in the last three years but there is a continuing shortage at the other end and it does seem to me that that shortage is likely to persist for quite a number of years. Now, what percentage of the outturn of the high schools go into the teaching profession, do you know?

DR. AYERS: I am not sure what it is at the present time. It is somewhere between 15 and 25



percent.

MR. STEWART: 20 is the figure I have here.

DR. AYERS: I think Ontario has been able to increase this in the last couple of years and it has increased in Saskatchewan too, I know.

MR. CROSKERY: That is percentage to the graduating class, not those that enrolled originally in the secondary school.

MR. STEWART: No, outturn.

MR. CROSKERY: The percentage is wrong, there is no doubt about that.

MR. STEWART: But I can't push that percentage up too high.

DR. AYERS: I am aware though, how many drop out that could go on that are going into routine jobs even with a high school education. That may be another source.

MR. STEWART: Well, I just wondered.  
On page 7 you have:

".....must ensure that the provinces will have enough money to provide adequate educational facilities offering equal opportunities to all Canadians regardless of their geographic location and their family economic status."

That is a fine objective with which in principle, I think everybody is in favour, but it just does not seem to me that we can get at this in the next few years and there will have to be other ways in which





we can meet the problem of teachers particularly.

MR. CROSKERY: I think there are three things, sir, that will get more teachers. One is obviously better pay. We know if we could solve the problem of the pension we would not be so much concerned about recruitment. The second thing is we have been talking so far about graduates from high school, but there is also the question of graduates from universities going into education, and, thirdly, there is the whole question of the prestige of the teaching profession and these things which attract and hold children. This is not a part of the brief, but we do feel if teaching is a profession members of that profession will have to be given a greater control over their own profession as to what is to be taught and how it is to be taught. We tend to share a uniformity and conformity by having perhaps an excess of regulations and dictation from the authorities. You don't suffer in the universities as we do at other levels of education.

MR. STEWART: You are optimistic that if we go at it with sufficient vigour that we can in fact find enough well qualified teachers in competition with the other demands to handle this doubling of the enrolments?

DR. AYERS: I think we can.

MR. GUSHUE: What percentage do you lose or what is the wastage of teachers to America?

DR. AYERS: I don't think it is too much now. We lose them temporarily. I know that Dr. Moffatt



in Nova Scotia said last year that they have got teaching in Nova Scotia every married woman that it is possible to get teaching in Nova Scotia.

MR. GUSHUE: Yes, that is a fact.

MR. CROSKERY: It has changed a good deal. For example, right in this centre where a married woman a few years ago where a married woman was only hired on a daily basis and then on a percentage which was annual and quite different from the regular teacher, now she is on an absolutely equal basis.

MR. GRAUER: Do you have any figures on the proportion of male teachers lost now compared with, say 20 years ago?

MR. CROSKERY: Do you mean lost to other vocations?

MR. GRAUER: Yes, has there been quite a trend?

DR. AYERS: I think actually the situation has probably improved slightly in the last year or two.

MR. CROSKERY: We have not figures on it.

DR. AYERS: No, not as a percentage of figures as compared with women. If we had known the question was coming we could have got something on that.

MR. CROSKERY: I do know this, that from time to time surveys have been made to ascertain why people have left the profession and the problem does not arise as much with men now as it has. I think the salary is much better and that is retaining some of them.

MR. GRAUER: I wanted to ask you about





the financial side which you stress a good deal. Do you feel that the provinces and through them the municipalities have not the financial resources to cope with the problem you outline under the present Federal-Provincial tax agreement?

MR. CROSKERY: Yes, Dr. Ayers and I were discussing that this week and I think I will ask him to give you a reference in relation to Gross National Product.

DR. AYERS: Yes, I did a little figuring yesterday comparing the amount spent by the Provincial and Municipal governments for education as a porportion of our Gross National Product. I have figures from 1926 here. When it got above 2.5 percent of Gross National Product in the depression the municipalities and provinces -- many municipalities went broke and a number of the provinces had difficulty. It just dropped down to around 2 percent or just under that. In 1946 we were spending about 1.67 percent of our Gross National Product on education at the provincial and municipal levels. Today, in 1954, it was 2.4 percent and in 1955 it was 2.36 percent estimated. This is getting to be quite a large proportion of our Gross National Product and this is only one of the services. All the services are requiring a greater amount. I don't know what the level is at which the municipality dependent upon taxes from the property alone can raise this money. The money is there but I think it can be obtained on a broader basis.

THE CHAIRMAN: Do those expenditures include the provincial grants?

DR. AYERS: Yes, sir.





THE CHAIRMAN: Well, of the total how much would have been contributed by the provinces?

DR. AYERS: The provinces in 1955 I estimated spent \$300 million.

THE CHAIRMAN: Out of how much?

DR. AYERS: 52 percent is provided by the municipalities.

THE CHAIRMAN: That was my point. Only half of it is a load on real estate?

DR. AYERS: Yes, but included in this \$650 million are the other expenditures by the provincial governments for normal schools, agricultural colleges, universities and so on, so at the level of secondary school education it is 80 percent or more municipally.

MR. CROSKERY: I don't think that quite answers your question and if I might comment on your question, speaking for our organization, our feeling is that the present financial arrangements are inadequate. We feel that there is sufficient wealth to take care of the expansion of education without harming the economy of the country as a whole but we feel that there has to be a redistribution of that wealth. We feel that there are provinces which are simply not in a position to meet the demands that are being made upon them from their own sources of taxation or from the subsidies they are receiving.

MR. GRAUER: Of course most provinces do get an equalization of grants?

MR. CROSKERY: Under the proposed formula, yes. All we can say on that is that some of the provinces



do not feel that is going to solve their problem. It is just a matter of their opinion.

MR. GRAUER: Anyway this is not based upon a study so much as by assessing?

MR. CROSKERY: We have done considerable study as to the competence of the provinces to meet their demands in education.

MR. GRAUER: Let us assume you are right for the purposes of the next question. You put forward the idea that there should be a joint Federal-Provincial policy in the educational field. Now, there are many fields, of course, where one could put forward the same suggestion. You just heard Mr. LaBine here before you and you can visualize the amount of money required for transportation in many areas of the country and in all provinces. Now, education is from a realistic point of view a fairly complicated question to deal with on the Federal-Provincial level. I suppose, as far as you are concerned if the aid came from the Federal level it could come along other lines which would have the effect of relieving the provincial government pressure and it would be up to people like yourself to see that that was done in the way you think it should?

MR. CROSKERY: If that happened we would be happy about it but there are two points there that I would take issue with, I am afraid, on that premise. One, that it would be up to us. I think that it is not up to the teachers of this country to solve the problem of financing education much as we have delved





into it and much as we are talking about it. Then, it comes to the question of whether education will receive its share or not and from our experience and without casting any reflection on the judgment of the provincial governments as such, from our experience education has not obtained its share. Certain other things which are more easily pointed to as material accomplishments tend to have a stronger lobby. Highways, for example. Our other point which I add, is that despite the fact that no one, least of all our own organization, is suggesting that control of education administratively, how it is taught, what is taught and seeing what should be taken away from the provinces. We do feel in the national interest that there cannot be a complete disregard of the national aspect of education and that the federal government therefore has some stake in it, even if it did not actually control it and they have a responsibility to see that it can be financed.

MR. GRAUER: Well, there are two comments I would make there. One is, we have not yet found any aspect of industry where they did think they were getting enough money and the second thing is if it is federal government leadership you are looking for the possibility is that you might have to wait considerably longer because of the problems involved there.

MR. CROSKERY: I think it ought to be provincial government leadership. I think the provinces are the ones that ought to go after it.

THE CHAIRMAN: Thank you very much indeed.



We can assure you that we won't overlook the problems of the teaching profession. What we can do about it, I don't know but certain members of the Commission -- in fact all the members of the Commission keep it very much in our minds.

Thank you very much.

--- Recess

--- After Recess

THE CHAIRMAN: Well, if you will come to order please, the next submission is the joint brief from the Amalgamated Unions of Canada and the Canadian Association of Railwaymen which we will mark Exhibit 259. Mr. Smith, I think it would help us if in presenting it at the beginning you would indicate how many people are directly represented by the Amalgamated Unions of Canada and the Canadian Association of Railwaymen?

MR. SMITH: Do you want that information first, Mr. Chairman?

THE CHAIRMAN: Yes.

MR. SMITH: Well, the combined Canadian Association of Railwaymen and the Amalgamated Unions of Canada present here today represent their respective memberships of approximately 167,000 people in the Dominion of Canada. Mr. Youngson will be dealing with that a little later and telling the Commission more about it. Do you want the names of these people?

THE CHAIRMAN: There will be four?

MR. SMITH: Yes, this is Mr. Roy Youngson of the Legal Counsel of the Amalgamated Unions of Canada, Mr. Earl Dumarcq, Vice President, Canadian Association





of Railwaymen, Mr. Ellis, Mr. Brown and Mr. Monk of the Amalgamated Unions of Canada. I am just going to spend five minutes in introductory remarks. This is very informal and I like it, so if you don't mind, I will get down to business.

THE CHAIRMAN: That is fine.

MR. SMITH: Well, Mr. Chairman and gentlemen, we deeply appreciate the privilege extended to us and the opportunity to place before you the opinions and expressions of our joint units of the purely All Canadian Independent Labour Movement. I might add that by and large our opinions will be supported by thoughtful Canadians throughout the country. We trust the Commission will keep in mind that our opinions are a sincere and honest attempt to assess the future prospects and welfare of our people, for they are born of a deep and abiding faith in the destinies of Canada and are free from political considerations or sectional prejudice. We firmly believe that your task is a most exacting one, a task that can in its final conclusions, have a far-reaching effect on the degree of confidence that will be expressed in our country in the years that are ahead of us. It will be noted that in our submission we do not dwell at great length upon the economic or statistical background of Canada, nor do we make extensive reference to our possible future at this time. We do, however, feel impelled to contribute and if possible through you, warn the people of Canada of the many dangers and obstacles that beset our way into the





future, and which I might add are causing divisions and cleavage among the various classes of our society. Thus it is that our main purpose of being here, is to bring to the attention of your Commission the grave importance of industrial relations and relative matter which can and do have, a direct bearing on our future prospects and security as a society under a democratic form of government. Before I introduce to you the legal counsel for the Amalgamated Unions of Canada, and the representative of the Canadian Association of Railwaymen, may I for a few moments dwell upon one or two points that are most important in our quest for peace, contentment and security. We, of this branch of organized labour movement are strongly opposed to all forms of centralization, with the firm belief that in "decentralization" may be found the basic foundation for the protection of our economic and political institutions. "Decentralization" prevents the concentration of power which if allowed to congeal, eventually leads to complete dictatorship. Study of many lands in the Old World bears mute testimony to the truth of this statement, and it will be observed that always, wherever centralization has become effective then the dignity and freedoms of people have been ruthlessly cast aside. Gentlemen, we have that danger here in Canada, and it is quite apparent in one section of the labour movement namely, the international labour movement. In the past ten years or so the danger has become more and more intensified and acute. This may be attributed in no small measure to disregard for law, a utter refusal



to practice restraint, and a willingness to accept privilege without corresponding duties and responsibility. We have ample restraint in law against other forms of monopoly power, and the British North America Act prevents centralization of power in our political institutions by defining the jurisdictions between our central government and provincial authorities. No such provisions exist in law placing direct restraint upon centralized monopoly powers presently abused by the international section of our labour movement in Canada. We of this particular branch of organized labour do not believe in centralization of trade union authority with its ugly implications. We do accept responsibility, and we do respect the laws on our statute books and the dignity of the individual. Our way of life consists of three distinct and separate estates (1) as represented in our political institutions, (2) as represented in our economic institutions, and (3) as represented in our Courts and the due process of law upon which our form of government is founded. Thus, if the Royal Commission is to accurately forecast the Economic Prospects for Canada, then it is well that all those who from time to time appear before you, pay heed to this impending threat of centralized powers in sections of the labour movement controlled and directed outside our jurisdictions. If we do not, then we may yet see the birth of a fourth estate, one which, given time, can be quite capable of ignoring constituted authority, subjugating our economic estate, and of casting aside the due





process of law which serves truth and justice for our people. If these statements appear somewhat harsh then let me assure you history of collective bargaining in Canada these past few years provides ample proof that such is not the case. That history is a stark naked reminder that to forecast the future requires complete review of both the Combines Act, and the Canada Labour Act. And with this short introduction, Mr. Chairman, may I introduce to you Mr. Youngson, the counsel for the Amalgamated Unions of Canada.

Thank you very much.

MR. YOUNGSON: Thank you very much,  
Mr. Smith.

Mr. Chairman and members of the commission, speaking to your commission is in itself a most welcome and refreshing change for a general practitioner of law and that coupled with the group for whom I am to speak and on the brief that they have prepared makes my appearance here, one of the highlights of my short legal career.

I have followed Mr. Smith's introduction with the greatest of care and choose, if I may, to elaborate on a few points that he has expressed, as well as a reference to parts of our brief that you have, I understand, already read.

The Amalgamated Unions of Canada, on whose behalf I am appearing today is the parent body of a comparatively small group of independent unions wholly and solely Canadian. (Let me wave that flag



for a moment, gentlemen, for it is surely something to be proud of). They, the local independents are completely autonomous in character. They will their own way and seek assistance and guidance from the parent body when they need it.

The dues of a local are \$1.00 per month, per member, 80 cents of this remains with the local and 20 cents to the parent body which, with this money then endeavours to gather around it more locals or to assist any local that may be in difficulty. As opposed to say the U.A.W. - dues \$2.50, strike fund of \$5.00 -- 60,000 members. 3,600,000 per gr. strike fund.

Forgive me, for transgressing to the specific, gentlemen, but my own personal feelings sometimes surmount objectivity and independent Canadian (and please underline it) unionism is awfully close to me. In 1943 when the independent at the Dominion Electrohome Industries Limited in Kitchener joined there were 30 independents. Since then the independents have fallen on harsher times, as a result of international infiltration and a Labour Relations Board that has no member from a Canadian union.

There is an interesting sidelight, the Ontario Labour Relations Board is, as you know, composed of five men - a representative from the C.I.O. (international); a representative from the A.T. of L. (international); two representatives from the management, and a chairman.

Now, I haven't been referring to an International Labour Relations Board but rather to





the Ontario Labour Relations Board and yet there is not a single representative of a Canadian union on the Board.

In any event, getting back to where I digressed, the A.U.C. now has less than half the membership that it had in 1943.

What then is the analogy between what I have said and what this Commission is actually interested in hearing? The points suggested by the Commission are among others:

1. The trends of productivity and standards of living.

2. Industrial and social capital, and of course, the greater picture, Canada's Economic Prospects. Let us look to British United Press Release dated February 25th of this year to draw the analogy.

" Federal economists are waiting to see the wage pattern which emerges from several major labour disputes either in process or in early prospect before prophesying that 1956 will be the greatest boom year in Canada's history.

The experts say it already is clear that building construction, capital expenditures, engineering and mining development are headed for records this year.

Despite the difficulties created by a world wheat surplus, government grain experts are predicting the present crop year will exceed all wheat export volume records since





"World War II, largely because of crop damage of recent weeks in Europe.

A strong upsurge in the United States economy is regarded here as a guarantee of sustained prosperity for Canadian export trade, due to the extent to which the U.S. now relies on this country for its raw materials.

But with all these factors which could guarantee the greatest year of economic prosperity in Canadian history, Parliament Hill experts are keeping their fingers crossed until they learn the 1956 wage pattern. That is regarded as the factor which will determine whether the national progress and prosperity is to be unhampered by serious difficulty or whether it is going to have to contend with inflation which could wreck the entire prosperity mechanism."

Now, gentlemen, we must put the emphasis on the latter part which states "which could wreck the entire prosperity mechanism".

Now then, if we must look to the antics, and that they are, of an International Labour Union before we can determine our own budget, then gentlemen we must now stop, before it is too late, as respectfully it is too late in our neighbour to the South and restrict this international labour infiltration and give consideration to what they can do to our own arena and what they have done on their own, and finally then what can



reasonably be done about it.

What has been done in our own arena is too well known to be harped on before this Commission but in passing I would like you to recall the truck strike of two years ago when the final humiliation was the negotiation between our top level labour people in Toronto and one Hoffa from Detroit whose criminal record was published for all of us to see in a recent issue of the Readers Digest.

Or then again turn to the Ford Motor Company and the General Motors strike and briefly glance at the type of man that heads up the Automobile Workers unions. His whole history is put before us in a neat little package in the Congressional Record, part of the 84th Congress in the United States. It can be found in the remarks of Congressman Hoffman of Michigan, dated Tuesday August 2, 1955. He sums it up by saying, and I quote:

"In the opinion of many, Walter Reuther, because of his shrewdness, his intellectual ability, his adroitness and the power he wields, is far more dangerous to the security of the Republic and the liberty of the individual citizen than is Russia or any possible federation of Communist Nations."

Now, gentlemen, we don't necessarily subscribe to that in its entirety, but it is enough to say that he is considered so by many.

The final example of their power is





amply shown in the Kohler strike in Wisconsin as told in the Kohler News of 1955.

Now we know that men may join together and should join together for their own reasonable protection but surely that phrase does not include the open violation of law and order and a complete contempt for administrative authorities.

Unions are a wonderful thing, a god-send to the working man, to industry and the national economy but not when they are synonymous with violence and virtual mob rule. Surely incidents such as I have referred to are completely unnecessary and everything can be accomplished by peaceful negotiation. That then is the purpose of the Amalgamated Unions of Canada, and to save for the worker the millions of dollars that are lost to him as a result of such strikes, called, it sometimes seems, at the whim of a Florida bound International Union leader.

It is strange that a country as great as ours, albeit economically bound to some degree to the United States, should still permit International Unionism to darken its labour, political and economic picture when no other country in the world tolerates it.

The market place for our labour is Canada, the controlling union forces in Canada should be Canadian and the Canadian workers' right to work should not be strangled by outside interference for respectfully, if it is then so is our economic structure.

"Restrict a man's right to sell his  
labour or his product, restrict a man's



"right to buy a product or a service  
and you deny the function of the market.

Are we consciously or unconsciously  
yielding to inflation as a means of  
satisfying the demands of highly organized  
pressure groups on the economic front?

Can the pressure groups escape the dictates  
of the Market? If so, do they not, in fact,  
abandon the market economy."

So asked Mr. N. R. Crump, president of the C.P.R. in  
an address in Chicago last year.

Please recall in Mr. Smith's introduction,  
the reference to decentralization which in itself could  
destroy the pressure groups that can upset, albeit  
temporarily, the law of supply and demand, or our  
market economy.

The autonomous nature of the independents  
within the Amalgamated Unions of Canada is a sure  
guarantee against such pressure groups and yet remains  
a complete protection of the workers' rights.

Notwithstanding all I have said with  
regard to the International unions, I certainly do  
not decry unions generally, only those whose responsi-  
bility appears to end with the acceptance of dues from  
their locals. These whose head offices do not have  
to abide by Canadian law, those whose policies come  
from spheres other than our own. Those who are con-  
temptuous of our labour laws and even our Criminal  
Code and seemingly with impunity.

Gentlemen, if I may now come to the last





point I wish to cover.

Abraham Lincoln it is said, stated:

"God must have loved the common people, he made so many of them". If I might, I would change that phrase slightly to read "God must have loved the common people for he endowed them with a number of uncommon people". Those uncommon whose brilliance in science and engineering have provided us with great productivity and standards of living. Contrary to pronouncements made about the dangers of automation we feel it is the key to better living, greater comforts, and greater happiness for our people. Most certainly, study of the past since the introduction of power machinery is convincing proof that the key to progress lies in the development and efficiency of power machinery. Through the efficient use of power machinery we are able to afford eight hour days instead of ten, twelve and fourteen hour days. Through greater and increased automation the lowest class of unskilled labour in the western hemisphere receives more than twice as much in real wages as the same class of labour in Britain, more than three times as much as he does in France, Belgium or Sweden, and more than thirteen times as much as the same class of labour in Russia. That the increased efficiency of power machinery has given us the more abundant life is self-evident and contrary to what others have predicted, let us face a few facts.

In 1900 more than 60 percent of our population were supported directly by the farm, in 1930





the percentage had dwindled down to hardly more than 30 percent, and this notwithstanding increased population. As a matter of fact there is ample evidence to support the theory that no serious or prolonged unemployment ever occurred until enterprise which normally creates the avenues of employment is suppressed, legislated against, and intimidated by unwise financial and political policies. We are of the opinion that there is no way of effectively raising the standards of living other than by getting more power machinery into industry, more power into the hands of our workers, so that we can produce more and more goods. Indeed, it might well be that the future of Canada and the well-being of our people can only be measured in the degree with which we apply science and engineering to our industries thus producing more and more goods and services per man hour, and of course, this will mean more brains for education, research and the uncovering of more uncommon men. It is a statistical fact that despite our increasing population, despite the increasing use of labour-saving machinery, the percentage of our population gainfully employed has increased more than 29 percent since 1925.

Now, let me turn to the material side of the picture. One hundred years ago the average person had about 52 wants of which 16 were regarded as necessities. Today, the wants number more than 484 of which 94 are looked upon as necessities. Those figures were set at about the year 1946; today the wants and necessities are even greater. Thus it will



be seen that our economic well-being has increased in the proportion in which we continue to apply science and engineering to our industries. There may be a saturation point for automobiles, television and radio but there is no such thing as saturation in education in the service industries generally, or I might add in liberty.

In conclusion, gentlemen, I hope that your Commission can appreciate the earnestness of the men in the two organizations before you. I know them well and know them to be respectable, hard working, God-fearing Canadians who have the best interests of Canada, both politically and economically, at heart.

I hope that you will recognize their plea to you, that you --

1. Zealously guard and preserve individual freedom.
2. Guarantee in law the right to free employment.
3. Enact laws to constantly encourage a steady flow of capital.
4. Keep government controls to a minimum.
5. Preserve the character of voluntary collective bargaining.
6. Reduce taxation to encourage thrift and expansion.
7. Gauge our National Welfare plans by ability to pay.
8. Resist the urge of minority groups





to impose legislation injurious to National progress.

9. Encourage National Independence and Autonomy in all avenues of our economic life including the field of labour organization.

THE CHAIRMAN: Thank you, Mr. Youngson.

MR. SMITH: Thank you, Mr. Youngson.

Now, Mr. Chairman, you have heard Mr. Youngson and I would like at this time to introduce to you the other half of this presentation, the Canadian Association of Railwaymen. Mr. Earl Dumarcq will speak on behalf of that organization. Thank you very much.

MR. DUMARCQ : Thank you, Mr. Smith.

Mr. Chairman and members of the Commission:

Governments and all other organizations of society should exist to serve men. To do this they must believe in the sanctity and dignity of the human personality controlling that organization or government.

Seldom do individuals like myself get a chance such as this to present and express in my own small way the iniquities that silence many workers by compulsion.

We know we are in the days of marvelous transition. We know also, Mr. Chairman and members of the Commission, all nature seems to be out of joint the world over.

Not only are we confounded with all this but we are confronted with the synagogue of Satan who thinks he can control every Jute, Angle and Saxon



throughout the Commonwealth of Nations -- make us bow down and pay homage to a group of international leaders at the expense of our economy in Canada.

Foolish man -- in his self-sufficiency -- thinks that the infinite intelligence has made mistakes and that man has created himself to correct them, and because of his irreverent ignorance he has made of his own personal life and the life of the world a comedy of errors.

So uncertain seems the future that it is not uncommon to hear the expression -- "It's anybody's guess".

No, Mr. Chairman and Members of the Commission, there can be no guessing this time, because you have before you a very large undertaking and the old worn out building must be replaced by you as the architects. Why? Because we have harboured too long the lack of careful planning for our future in Canada.

We have had delays - disappointments - restrictions and no careful reflection upon the character and foundation of building after the plan the one and only architect erected in this universe for our learning in the first place.

We would even go so far as to say each one of us have to some degree faulty spiritual elimination so much so that repeated periods of purging are necessary in order to get rid of the waste materials of incorrect ideas, conclusions and attitudes.

In order for the fire to get a full head





of steam in that spiritual boiler, the waste clinkers must be raked off the grates, so the oxygen can insure complete combustion.

The experience provides the possible fuel, the correct attitude provides the oxygen for combustion, the basic urge provides the steam in the boiler and the spiritual desire contributes to universal welfare, provides the engine through which the power is transmitted to the wheels of life.

Mr. Chairman and Members of the Commission, the drama of life is being acted out right before our very eyes, right on time and on schedule. We can check many of the most remarkable happenings by reading the Russian chapters of the best seller of the age. Ezeckiel 38-39.

We are going to learn to understand the universal law and remain unshaken by any opposing force, and direct our lives along this universal moral code in Canada.

Listen to the words of a great man and see if he does not follow the same path of thinking I am trying to inject into my presentation before the Economic Commission on Canada's next 25 years.

Sir Winston Churchill -- quote:

"We are confronted by perils both grave and near and problems more dire than ever confronted Christian civilization."

One does not need to guess at the combination of these statements in the light of what is happening in the world. No, gentlemen, it is all too plain for





guessing.

Man's life is created by his abilities and his use of them. The job he undertakes and how he directs his mind to the end he has chosen to achieve.

We know gentlemen, the voices who cry out are not heard by the consciousness of my international brothers. They have retired into the sanctuary of their own hearts and have been guided by a will-power that is short sighted and in the kindergarten of drought.

Many of the men with whom we work are not concerned about their own security; they say, "We are getting along all right, so why worry". That is what the people were telling Noah in his time and kept telling him for 150 years. We all know what happened. So, unless we hasten to set our house in order and listen to that wee small voice of reason it will happen here in Canada.

International unions, like some governments are elected by good people simply because many were too complacent to vote.

Since 1888 International unions have been walking to the left.

The knowledge of what to do for economic security was in their possession but they still chose to walk to the left and manifest the intelligence of a carrot, which knows precisely how to take advantage of the elements of the physical environment and produce root and leaves, but failed to take advantage of a more complex knowledge resident in their souls, i.e. that they could tap to reach the point of a most effective



living and usefulness in our working conditions which in turn would stabilize our economic conditions.

Every one must know by this time the use they have put their wills to. The image of the past is on the left. The record tells the story effectually and is clearly relevant to what has happened in the past two years.

The amount of grand dues collected since union dues agreement was put into effect, December 1st, 1953, by the B. of L.E., B. of L.F. & E., and B. of R.T., Membership as per 44th Annual report, Department of Labour.

B. of L.E., 8,149 members are charged \$3.25 a month grand dues.

B. of L.F. & E., membership as per same report, 8,856 members are charged \$2.05 per month for grand dues.

B. of R.T., 22,101 are charged \$1.05 each month for grand dues.

Total for two years \$1,628,258.40.

According to government figures 1,033,617 workers in this country that pay dues, part of their dues go to international unions.

By agreement the C.P.R. and a foreign union forces me to send to my American cousins \$3.25 each and every month for the right to work in the country I was born in.

If we were allowed as individuals to use this amount of money in Canada it would put four and one-half pounds of butter on our tables each and





every month.

Canadian workers are the only ones in the civilized world subjected to international interference and told we must against our wills pay outside our own country for the right to work.

We in the C.A.R. speak respectfully of opposing ideologies, we do not form opinions quickly until we have allowed our minds to reach for a better way of life but we do combine truths to oppose privileges given to outside organizations which if continued will eventually destroy a goodly part of our economic progress.

My wish, Mr. Chairman and members of the Commission was not to dump this information on your desk like a sack of potatoes. We have tried from our meagre storehouse of intellect to reveal in sequence that which would reveal a background of difficulties we find in our own labour field, which would and could have more than a usual bearing on our present economic solution, in relation to our present day ideals, which by the way, are not by any means reached yet.

We hope also that our criticism will be taken as constructive, by one and all.

We all know the forces of goodwill and reason cannot flourish unless the forces of ambition and greed have been checked and neutralized.

To we men in the C.A.R. these are the most important steps in our economic security.

Thank you very much, Mr. Chairman and gentlemen.



MR. ELLIS: Ten full years have now gone by since the end of World War II, eventful years that have seen the Canadian economy grow at a pace that in 1945 would have been thought impossible to achieve. The population has jumped by nearly 30 percent, an increase equivalent to five cities the size of Toronto. The physical volume of national output has risen by more than a third. New areas have been opened up for development, new products have appeared in retail stores, and new industries have been established. There have been fundamental changes in the pattern of production; and there have also been problems, some of which, notably those of agricultural surpluses, have yet to be solved.

The Canadian economy "1955 model", was very different from that of ten years ago, and the beginning of 1956 seems an appropriate time to take a broad look at the changes that have occurred. And, in reviewing developments in the first postwar decade, it is useful to consider what further growth may be in store during the second. In the accompanying supplement to this Review, a few statistics have been assembled that serve to highlight in summary form the salient features of the expansion that has taken place since 1945. Projections have also been made, on the basis of available information and past trends, that point to a population in 1965 of a little over 19 millions and a gross national product in dollars of 1955 purchasing power of more than \$36 billions, representing increases of around 22 percent and 38 percent





respectively over last year. These forecasts are not, of course, to be taken too literally; the assumptions on which they are based may prove ill-founded or be offset by influences as yet unforeseen. But they do indicate the possible heights to which the economy may rise and may serve as a useful guide for the difficult but often necessary task of looking and planning ahead.

The dynamic force behind Canada's postwar growth has undoubtedly been the almost uninterrupted expansion in the annual volume of capital expenditure on new plant, equipment and housing. As Table I in the supplement shows, of the annual supply of goods and services available in Canada the proportion used for the creation of new physical assets has risen from 11.4 percent in 1946 to a 1955 figure of 18.5 percent. The backlog of investment requirements existing at the end of the war, the new discoveries of oil, iron ore, uranium and other minerals, the Korean emergency and its attendant expansion of productive capacity, and the ~~needs~~ for new housing schools, hospitals, offices and stores to meet a growing and increasingly urbanized population have all contributed to the steadily mounting importance of capital investment in the economy.

Basic to any analysis of future prospects is the question whether or not this trend will continue. Should it do so, the proportion of available goods and services utilized for investment would rise from the current  $18\frac{1}{2}$  percent to more than 25 percent by 1965.





Such a proportion has seldom been reached in anything but a highly centralized and rigidly planned economy and it may well be that capital expenditure will grow somewhat less rapidly in the ensuing decade than it has in the past. Yet there are a number of projects of sizable proportions under way or in the planning stage in mining, manufacturing, power, and petroleum and natural gas. There is still an unfilled need for new roads, schools, hospitals and municipal services. And the natural resources that Canada possesses in relative abundance should continue to provide opportunities for fruitful development.

While capital expenditure has assumed a considerably more important role during the postwar period, the relative significance of external trade has diminished. In the early postwar years Canada, in company with the United States, extended large-scale capital assistance to overseas countries that permitted them to make substantial purchases in North America to aid in their reconstruction. As this assistance declined, however, and other countries restricted their imports from the dollar area, Canada's exports overseas subsided. There has been an upturn in the past few years, but the value of shipments overseas in 1955 was only around 20 percent more than in 1946. In the same period, exports to the rapidly growing United States market more than doubled and in the past five years have averaged nearly 60 percent of the total compared with 38 percent in 1946 and 1947.

THE CHAIRMAN: I think you might skip



those statistics. We are familiar with them.

MR. ELLIS: This is a business review and I didn't know whether you were familiar with the wording of it.

THE CHAIRMAN: Yes, we have all the trade statistics.

MR. ELLIS: You may say what has all this to do with unionism? The answer is quite simple.

The greater the expansion the greater the unionized working force. What kind of unions would you like to see bargaining for Canadian workers? The kind that turn quiet men into animals without conscience so that they will turn trucks over on their sides, slit tires and put sand in gas tanks and then have the audacity to stand square on our soil and say: "I don't give a damn for Canadian law", such as Hoffa of the Teamsters International did.

Or would you rather have a union that has as the bedrock of its philosophy the ambition to gain better collective agreements by creating a more amicable relationship between management and labour?

That, Mr. Chairman and members of the Commission is why we have requested this hearing with you. To point out the large loss of money that could help the Canadian economy to United States unions by their collection of union dues. To further progress their ideology of better collective bargaining without having to resort to the strike. This, gentlemen, will have a great bearing on the prospects of Canada.





Thank you.

THE CHAIRMAN: Thank you. Well, thank you very much, Mr. Smith and gentlemen. We are glad to have your views and if we require further information we will feel free to call upon you.

Thank you very much. We will have a recess before receiving the next.

MR. SMITH: There are no questions, Mr. Chairman?

THE CHAIRMAN: No, thank you.

--- Recess

--- After recess

THE CHAIRMAN: Well, shall we come to order? Mr. Wright, we are grateful to you for having sent your brief in early to give us a chance to read it. We will mark it number 260.

DR. WRIGHT: First of all, I will have to apologize for the fact that the President of the Institute, Dr. R. E. Heartz, is lost somewhere in the snowstorm. I know at 5.30 he was on the way but apparently he couldn't get transportation down to the station and we will get a report on him, I think, eventually.

Mr. Chairman and gentlemen, I do not propose reading our brief to you. I have sent copies in advance and I understand you have had these and read them. I would like to make some comment on them and passing reference to two or three points if I may.

Thank you for this opportunity to appear before your important body. The breadth of the field which you have been called upon to study is so great



that one may well wonder just what he can do to help you toward the accomplishment of your task.

Our story as told in our brief is a simple one, but we think possibly it will be the most important single element in the equation which you will have to find in order to solve the problems of Canada's Economic Prospects. This element, of course, is manpower-trained manpower.

Our brief does not labour any points. We do not try to tell you how to solve the problem. We have studied the problem too long to believe that the answer is an easy one, or that any one person or group has the whole answer, but we do recommend that something sensible be started now so that we will not always be in our present confused state of mind. We feel that your Commission is the one to point the way with clarity and emphasis.

I have noticed that a great many briefs presented to you have emphasized the need of more engineers and scientists, and more well-trained technicians. Apparently most of those who have appeared before you are agreed on it. This has pleased us greatly and we hope it will give the Commission ample encouragement to bring forward a far-reaching recommendation.

The Institute has been approached by some of the universities to undertake a study in education in engineering and science. We had this in mind and we have done a lot of talking about it back and forward across the country and that is one





reason we are familiar with the subject but when the news of the establishment of this Commission came up we decided this was something the Commission might report on and so we withheld any further action. As the university presidents here will know, we have spoken about this, I think, at every university in Canada. It is a very urgent situation and we are hoping now that something which we had felt some responsibility towards might be taken over by the Commission or by someone who acts on your recommendations.

THE CHAIRMAN: Well, I would like to say at this particular point that you can't pass your responsibility over to us as easily as that. I would strongly urge you to go ahead with your studies.

DR. WRIGHT: We have sent a letter out to the deans of all the engineering colleges in Canada, inviting them to come to a central point for a conference in engineering education, a conference which the Engineering Institute of Canada will finance. We have prepared a substantial sum of money up to \$5,000 to see that through. We think the thing is so urgent that these heads of engineering colleges and the members of their staffs can get together and solve the problem. So we are not passing everything over to you. We are putting our own money into this thing and we think somebody ought to make a start on it.

In our brief we refer to only three instances in which the shortage of engineers and scientists is noticeable -- that is, national defence,





natural resources, and industry. National defence, of course, is the most urgent one of all because if we don't have adequate national defence we don't have anything else. I was interested a day or so ago to see in a newspaper a quotation with reference to Dr. Rodin's address. In it he referred to a new guided missile which will replace aircraft in the defence of Canada and he pointed out that development in that is dependent to a great extent upon getting an adequate supply of engineers and scientists.

You have heard it said that the emphasis on engineering today is likely to produce a nation that will be ignorant in the arts; we are taking away too many boys and girls from the arts to go into science and engineering. I think the situation is a serious one. At times like this I don't think it matters how many scientists gain or how many arts courses lose. If we don't get scientific methods tomorrow it doesn't matter how well developed we are in our arts. We will have no place to practise them.

In part of our brief we have given you a paper from Dr. Rickover. It is a particularly long paper, much quoted before. I only want to make two references to it. In the first place he says:

"The failure in education is not the fault of the educators alone. It is the fault of all of us in not recognizing the impact of the Twentieth Century Scientific Revolution and taking the necessary measures in time."

And at the end he says:



"In the conditions of modern life the rule is absolute, the race which does not value trained intelligence is lost. It will matter little what other excellences our educational institutions possess if they neglect to recognize and to foster high ability wherever it is found."

In the brief itself, I would like to refer to a few paragraphs, starting at number 12.

More facilities and more still will have to be provided. This includes universities, technical institutes and high schools. The staff problem will be the more difficult one to solve, but it must be solved. More people must be trained for teaching and all must be given a remuneration commensurate with their importance, and more nearly in line with that offered by industry for such services. Canada appears to be the only nation that pays its university teachers substantially less than they could obtain from other employers (see Survey of National Research Council). Any further extension of such a policy will be ruinous to our future.

The reference to the National Research Council report is doubtless available to you. That is taken from facts and figures they have in that report.

THE CHAIRMAN: Just on that point particularly, that applies to the United States also? As far as the level of salaries is concerned, it would





apply to the United States?

DR. WRIGHT: No, the university teachers in the United States get very close to the salary the same people would get in industry. These curves are very interesting. In Canada, they are very, very wide apart and we are afraid that it is taking away teaching staff. You can't hold them. A teacher can double his salary to go and work for industry and I think we have to work it back to get it corrected.

13. Up until a year or so ago, it was possible to get some real help in our difficulties by employing European engineers, but this source is now dried up. We now face a situation where we will have to "grow our own". It becomes increasingly evident that a great effort has to be made in Canada by Canadians.

14. It is plain that more money must be made available for education in addition to the natural increase in the volume of fees. For engineering, fees pay only forty percent of the cost. It is evident that the money must come from outside the university. It seems equally evident that a substantial portion of it must come from government. We believe the federal government has a real responsibility here.

15. It is always interesting to know what a proposal adds up to in dollars and cents, but there is no way of which we are aware, whereby even approximate figures can be obtained for all of Canada that would include extensions to existing universities, the building of new institutions, additional equipment and new staff. However, it is not necessary now to have such figures.



They can be developed when they are needed.

16. Plans should be made at least to double the present number of graduates. No matter what this costs it will be modest in terms of benefits derived. Today's expenditure for university education is lamentably small. We spend more on recreation than we do on education. We spend more than twice as much to keep a criminal in custody as we do to educate a free man at a university. Without a murmur we hand out more to take care of a mentally deficient person than we do to educate a mentally efficient one. We spend more than twice as much on carbonated beverages and about three times as much for alcoholic beverages as we do for a university student. Truly our sense of values is badly distorted. Isn't it time we did something about it?

17. It would be futile for the Institute to attempt to state before the Commission just how the situation should be met. To find the full sensible solution will require an exhaustive study by persons concerned with the answer, and competent to locate and evaluate evidence. There is much urgency about this matter, but enough time should be given to it to find the one best answer. This is no time for half measures or mistakes.

18. The Engineering Institute of Canada has considered the problem for several years. Discussions with university presidents, deans of engineering, faculty members and employers right across Canada, and in the United Kingdom and the United States as well, have given





us an insight into the situation and have left us with a sense of urgency. This brief is not the place to go into details, but if at any time our knowledge of conditions and our opinions may be helpful to your Commission or to departments of the government, we shall be happy to collaborate.

19. Rather than lengthen this brief with arguments and proof, we are attaching some documents which give emphatic and colourful support to the things we have said. We are confident you will find them interesting and helpful. They are, (a) a letter from the Right Hon. J.D.Howe, Hon. M.E.I.C., Minister of Trade and Commerce and of Defence Production,

(b) a paper by Dr. C. R. Young, Hon.M.E.I.C. Dean Emeritus of the Faculty of Applied Science and Engineering, University of Toronto, and a past president of the Engineering Institute of Canada,

(c) a paper by Dr. G. E. Hall, President and Vice-chancellor, the University of Western Ontario,

(d) an address by Rear Admiral H.G.Rickover of the United States Atomic Energy Commission.

20. The problem of technical education is a complex one, the solution of which will require more money and more collaboration between government, educators and employers. As we have said, we are not now attempting to present details although they are known to us. We feel that our proposal to the Commission should be clear and simple, and that details should be reviewed later.

21. Believing that a great share of the responsibility of meeting the problem belongs to the





federal government, we recommend with a sense of urgency that your Commission propose to the federal government, the creation of a body to study the problem immediately so that a realistic programme can be developed with a minimum loss of time.

That is the only recommendation we make but I would like to add to it the thought that as your Commission doubtless will require a considerable time to file your report and after that if the government act on the report and appoint such a body further time would expire and we would like to suggest to you, if such a thing is reasonable, that this particular problem be looked at early in your deliberations so that if it can be separated by you from the other things it might be done and would not be held up for a year or two years while the final processes are followed. That might not be possible but that is our suggestion.

The Institute's long study of the subject and our facilities from coast to coast are at the service of your Commission, or anybody that succeeds to your responsibilities. We are a national body with a strong sense of national responsibility in this matter. We have no personal "axe to grind". We just happen to believe that more properly trained people are going to be needed as time goes on, and that the only way to meet today's desperate situation and to attack tomorrow's which will be even worse, is to do something about it now. We believe your Commission is the body to do it. We hope you will agree with us.

Now, Mr. Chairman, unfortunately for all



of us, our president could not be here but Mr. Martin, a member of the council of the Institute and one of the committee of four who drew up the report is with us. The other members were the Vice-President of the Dominion Engineering -- all three engineers who have a fair interest in the solution of this problem. If there is any information that you think we may have that will be useful, we will be very glad to have an opportunity of presenting it to you.

THE CHAIRMAN: Thank you very much, Dr. Wright. First of all, as you mention, we have heard a good deal all across the country and from various industries and universities about the shortage of engineers. We are very conscious of the problem.

MR. STEWART: I gather from the inclusion of the report by Dean Young that you are a supporter of the necessity for technical schools and technical institutes?

DR. WRIGHT: Yes, we think that is a very vital and fundamental step which we have been advocating for years. Until recently what had been done -- and that had been done mostly in the Province of Ontario -- is the Ryerson Institute where they turn out people who are great helpers to engineers and scientists but who are themselves not engineers and scientists. There is an outcry for more lightly trained people that will be required. That is essential, I think. Other countries have done it as well.

MR. GUSHUE: Do you think that it will





be necessary for industry to take a very direct interest in trying to ameliorate this situation, I mean, other than bringing it to the attention of governments and so on? Is there a tendency in that way?

MR. MARTIN: I think, Mr. Chairman, industry is realizing the importance of contributing to this problem. It has been done during the war where quite a number of the staff were on loan to the universities on a part time basis and I think that this measure will have to be re-established again to alleviate this shortage. The training of any college teacher or science teacher may require anywhere from four to eight years depending on the type of teacher we have in mind. We have to think of that last year, not now, because definitely the gap will have to be filled, but it will only be a temporary measure because this problem is going to stay with us for many years to come. Therefore, I am quite sure that industry will assume its full share of responsibility in that connection.

DR. WRIGHT: The reason we left it out of the brief was that we left everything out we thought the federal government might not have anything to do with. Industry must talk a great deal about it. It has been done in the United States and the United Kingdom but we didn't think it was relevant here because we were talking in this case of the action the federal government could take about it.

MR. MARTIN: If you are interested in another instance in which industry has been all along,



take the University of Sherbrooke which started as a faculty of applied science and industry started it. Then afterwards the provincial government contributed to a large extent to the supplying of the facilities and it is now a very strong going concern.

THE CHAIRMAN: I don't think we need ask you further questions, Dr. Wright. As I say, we have heard a very great deal of this subject and we are very conscious of its importance and we are pleased that you presented us with a formal brief on behalf of the Engineering Institute and we are very grateful to you.

Thank you.

DR. WRIGHT: Thank you.

(At 12.30 P.M. the Commission adjourned until 2.30 P.M.)



A F T E R N O O N                      S E S S I O N

APPEARANCES:

Mr. J. A. Wilson, Chairman,  
Board of Governors,  
The Canadian Tax Foundation,  
Mr. J. Harvey Perry,  
Director.

Dr. E. W. R. Steacie, President,  
National Research Council.

Professor G. E. Britnell,  
Professor V. C. Fowke.

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THE CHAIRMAN: Well, will we come to order? Mr. Wilson, it is a great pleasure to welcome you and Mr. Perry to these proceedings but I seem to remember I had something to do with this organization, The Canadian Tax Foundation, in the early days, perhaps not on the research side but on another side of some importance and we are very pleased to have a submission from you which we will mark Exhibit 261 for our record. If you would like to start in, sit down or stand up, whichever you prefer.

MR. WILSON: Thank you very much, Mr. Chairman. I appreciate your very kind remarks about the Foundation. It is interesting to know of your past association with it. If it fits in with your plans, we would like to do this on a dual basis. I will merely introduce the brief and Mr. Perry will follow with the part that really counts.

As you are no doubt aware, the Foundation is sponsored by members of the Canadian Institute of Chartered Accountants and by members of the Bar





Association and receives financial support from some 700 corporations and 1200 individuals. The Foundation is basically a research organization aiming its efforts at producing impartial expert research into problems relating to taxation and government finance. The observations contained in this statement are made quite independently of the individual views of supporting members having regard to the general interest of Canada as a whole and not the interests of any particular individual or group.

#### SOME INTRODUCTORY OBSERVATIONS

1. The growth of social welfare expenses and defence spending have brought about in the past 15 years an unprecedented level of expenditures in relation to national income and rates of taxation are very high today by previous peacetime standards. To predict with any accuracy what the future will bring in taxes is impossible without a great deal more information than is at present available and is dependent upon major government policies some of which may be influenced by the report of your Commission. No attempt has been made to work out a precise forecast for purposes of this presentation, but the assumption is made that in the foreseeable future taxation will remain an important factor in economic progress. This assumption does not eliminate the possibility of rate reductions -- perhaps even substantial reductions under certain circumstances -- but it does imply that tax rates will remain at a level where they will



continue to be a strong influence on economic development.

2. This presentation deals only with the immediate impact of taxation on economic development and business decisions. The discussion of issues relating to the ultimate incidence of taxation, the overall shape of the tax structure, the allocation of tax sources between levels of government, the comparative weight of taxation between Canada and other countries, the role of fiscal policy under conditions of war, inflation or deflation, the use of taxation for incentive or de incentive purposes, the role of "transfer" payments in the modern budget, and many similar matters appear to be too broad to deal with adequately in a submission of this kind. It goes without saying that these are all of crucial importance in relation to economic progress. The rate of tax alone is seldom the only factor to be considered in looking forward. The incidence and nature of the tax is of prime importance since considerable influence can be brought to bear by a tax applied in a particular place or a particular manner. In this regard, conclusions drawn from international comparisons of tax levels may be quite misleading, since there is a natural tendency to conclude that if our level is lower we are in a better position. Such comparisons must be related to the maturity of the economies, the position in the economic cycle, the prospects for growth and our international competitive position.

Taxation at the present rates becomes







a very formidable tool in the hands of government and for this reason, if not for others, much greater care must be exercised than if taxes were at nominal levels. The use of incentive and deconvective taxation policies and the substitution of tax credits or tax preferences for direct subsidies in the last 15 years is a new phase of taxation the full effect of which has not yet been properly assessed.

Without going further into these questions here it might be mentioned that many of them have been discussed in our publications, and if the Commission does not have access to this material we would be pleased to make it available.

3. In the comments which follow on specific tax issues we have generally omitted any reference to the other factors involved. This runs the risk of giving the impression that in our view taxation is the only influence at issue, which of course, would be quite misleading. It is frequently apparent that the effects of taxation are greatly exaggerated, whereas quite often the other conditions are of much greater weight.

I would like to pass on now to Mr. Perry, if I might.

MR. PERRY: We have summarized our representations in the following paragraphs here. There may be some advantage in reading those first rather than afterwards.

Taxes and Natural Resource Development:

(1) the application of income tax to certain gains



arising from this source can hinder development;  
 (2) an attempt of the provinces to over-exploit resources for revenue purposes can be harmful; and  
 (3) the relative position of the Canadian and American petroleum industries -- particularly in respect of the depletion allowance -- should be fully reviewed.

#### Taxes and Fixed Capital Expenditure:

(1) the corporation income tax reduces the funds left with industry for investment in fixed capital; and  
 (2) to the extent that the federal and provincial sales taxes apply to capital costs they increase overhead.

Taxes and Exports: our export industries should suffer as little disadvantage in their competitive position as possible from taxation; any special concessions given by other countries should be offset by Canada; personal income tax should be reduced if and when possible to relieve pressure on wage costs.

Taxes and the Corporate Financial Structure: increased financing by share capital is probably still impeded by "double" taxation; deduction of dividends in the same manner as bond interest would overcome "double" taxation completely but would be quite expensive in revenue loss on dividends going abroad; further extension of the present "dividend tax credit" is desirable.

Taxes and Non-resident Ownership: the present favourable treatment of dividends going to an American parent from a Canadian subsidiary no doubt discourages Canadian participation beyond 5 per





cent ownership; but this can be more easily remedied than other factors which tend to encourage retention of maximum non-resident ownership.

Taxes and the Industrial Structure: the "designated surplus" and "recapture of capital cost" provisions have hindered integration of industry which would be in the interest of economic development; on the other hand, the present combined effect of income tax and succession duties puts pressure on closely-held businesses to sell out.

Taxes and Individual Enterprise: in the final analysis future economic progress will depend to a great extent on the will of individuals to bring it about; the willingness to put forth extra effort and to risk venture capital in new enterprises would be greater if more of the returns were left with the individual; the present high marginal rates of personal income tax -- particularly where they take half or more of additional income -- should be gradually reduced to a more reasonable level; some more general relief should also be allowed for large non-recurring receipts of income.

Now, dealing with those headings in greater detail.

#### Taxes and Natural Resource Development

The continued development of our national resources will play a major role in our future economic progress, and tax policy in this regard will require particular attention because of the special problems involved. On the whole Canadian governments have been





willing in the past to recognize these conditions and to provide for them. There are, however, some potentialities for trouble in the present outlook. Some that appear to us to deserve comment are as follows:

1. Capital gains taxation: Am I to take it, Mr. Chairman, that I will just read right through or does anyone wish to interrupt?

THE CHAIRMAN: We think it better if you read right through and then we will ask the questions afterwards.

MR. PERRY: The federal government has declared that it is opposed to the introduction of a capital gains tax because such a tax would likely be prejudicial to economic development. No doubt its most injurious effects would arise in the realm of natural resource development, where the chance of cashing in on the big find is still one of the prime motives. For this reason alone the decision to avoid this form of taxation as it is known, for example, in the United States, has been a wise one. At the same time, there are grounds for questioning whether adherence to the English concept of income is the best approach that we could have adopted as a means of avoiding a tax on capital gains. Granted that this concept in itself rests on a rational basis, when it is applied to those who make it a business of exploiting our natural resources it appears to have the opposite results to those we would wish to achieve. The amateur and the dabbler



are usually favoured with exemption, while with the exception of the prospector, it would now appear that almost all persons regularly and seriously engaged in the initial and crucial phases of the development of natural resources are subject to tax on any gains they may make. A strong case could be made that if we were starting out afresh to foster natural resource development in all its phases we would strive for the reverse result.

The present position is the outcome of the application of a general theory of income to a particular situation for which it was not devised. It may be that no other approach is feasible, and we may have to satisfy ourselves with whatever exemption of capital gains may incidentally result from the application of the English concept of income. In retrospect it would seem that in not stating its position in these terms the federal government has given rise to some misunderstanding and to some disappointment of expectations. We propose no alternative solution because we have not attempted to devise one. Our main purpose is to record that there are quite serious disadvantages in the present position.

2. Provincial exploitation of natural resources for revenue. It is acknowledged that where the provinces have retained ownership of their natural resources they have full right to a reasonable return from the exploitation of these resources. In the search for more revenues in the years of financial







pressure that lie ahead there is danger however that the provinces may persuade themselves that this return should be substantially greater than it has been in the past. This possibility is apparent in statements heard frequently to the effect that the provincial government must incur heavy expenditures for resource development and that industry and the federal government derive the benefit of this expenditure.

While volumes could be written on a theory of natural resource valuation, there would appear to be strong evidence that the value of a resource in place, i.e. before removal, fabrication and manufacture, is only a very small proportion of the value of the product that may ultimately be produced from that material. To attempt to base the provincial return from natural resources on the value of the final product would therefore be highly injurious both to the province and the industry and would carry the provinces beyond the claim they may legally exercise as proprietors and into the field of indirect taxation, from which they are barred by the B.N.A. Act. With the notable exception of mineral extraction (on which most provinces now levy only a profits tax) the charge commonly made for a resource is a royalty or rental or bonus payment which appears as a cost to be paid whether or not any profit is made in the operation. Since most of our natural resources must compete in world markets these fixed costs must be kept to a reasonable level. If the province wishes to share in the profit made from the processing of a



resource by its residents it may do so through a corporation profits tax of its own or through the sharing of a corporation profits tax levied by the federal government as it has been enabled to do under the federal-provincial tax arrangements.

3. The petroleum industry. An important aspect of natural resources taxation which commands special attention at the moment is the application of the federal income tax to the petroleum industry, with particular reference to the relative positions in Canada and the United States and the role of the depletion allowance. We propose to make only a few brief observations on this subject.

First; the application of the income tax in Canada to the petroleum industry is an extremely complicated subject, both in itself and in its relationship to the taxation of other industries.

Second; the application of the income tax in the United States is perhaps an even more complicated subject than in Canada, both in itself and in its relationship to the taxation of other industries.

Third; a comparison of the treatment in Canada and the United States designed to appraise the comparative relationships of the specific measures dealing with the petroleum industry and the relationships of these measures to the general tax structure in each country is almost one of the most complex exercises in tax research that one could attempt.

Fourth; such a study must be made however in order to determine whether, as a result of differences





in the comparative treatment, there is a substantial deterrent to the development by Canadians of Canadian petroleum resources. Perhaps that would have been better stated as to whether Canadians suffered a substantial disadvantage in relation to Americans in the development of Canadian natural resources. If the Commission has not made such a study it should recommend that it be made.

Fifth; this study will indicate the nature of any remedial action that is called for. But it is becoming increasingly apparent that any solution must be preceded by a clear recognition on all sides of the role that the depletion allowance is intended to play in the taxation of the oil industry. It is quite evident that taxpayers and government do not share such a common understanding today. Without an agreement on this fundamental issue the present confusion will be perpetuated indefinitely.

#### Taxes and Fixed Capital Expenditure

The role of taxation in influencing the flow and character of industrial capital investment must be considerable, although its exact effect is among the imponderables. In the case of corporations a profits tax rate of say 50 percent has two apparent results. First, the expected yield from any investment must be discounted by 50 percent, which is a substantial deterrent. Second, the cost of the investment in depreciable fixed assets, being a deductible expense for tax purposes, is reduced by 50 percent through the tax saving which results. This





is a substantial offset to the deterrent. In popular language, the fact that only "50 cent dollars" will be earned from the fixed asset is offset by the fact that only "50 cent dollars" were spent on it. For the individual firm, therefore, the balance of consideration should turn on the expected profit from the investment. The more "50 cent dollars" that can be earned from the "50 cent dollars" spent the more will be the incentive to go ahead. This is equivalent to saying that, given the availability of funds for expenditure, normal business judgment will prevail. The one variation in income tax treatment that appears to influence normal business judgment (other things being equal) is the acceleration of write-off in a shorter than "normal" period. Although its exact effect would be difficult to assess, special depreciation in the war and postwar years in Canada no doubt gave a stimulus to certain forms of capital investment, and some of this stimulus was undoubtedly perpetuated in the higher normal rates of allowance introduced with the diminishing balance system in 1948. I think that probably should be 1949 in terms of the first effective year.

Given a rate of write-off which assures a return of outlay over a reasonable period a high corporate tax rate would seem to have its main deterrent effect on industrial expenditure for fixed assets in reducing the pool of funds available for such investment in the first place. If there were no corporate profits tax twice the funds now available would be left with industry for its various uses, one of them being



capital expenditure. This would probably produce more expenditure, or alternatively would permit the more rapid repayment of loans incurred for past capital expenditure. The extent of the increase would be difficult to predict, since to some degree the effect of the corporation profits tax in draining off available funds has been compensated for by higher retention of earnings, and more funds would no doubt result partly in increased distributions to shareholders. Apart altogether from these considerations of course there is the likelihood that an inflationary price rise in capital goods would result from any appreciable increase in competitive bidding for available resources under present conditions, and to this extent there would be no net increase in physical capital investments. It is also relevant of course that the funds withdrawn by government through the corporation profits tax may be spent on social capital of benefit to industry equal to money spent by itself (e.g. hydro electric developments, roads, highways, bridges, etc.). However, these considerations do not override the fact that the corporation profits tax does ~~cut down~~ the funds available to industry for its own direct investment. To the extent therefore that this tax can be reduced a stimulus will be given to industrial capital expenditure.

Other taxes which directly affect capital expenditure are those which apply on the capital outlay itself and increase its cost.







Provincial sales taxes (with the exception of that in New Brunswick) apply to plant and machinery, and to some extent the federal sales tax also is still levied on capital costs. This is a particularly important consideration where capital investment in our export industries is concerned. To the extent that any relief may be given under these taxes some of it should be given in this area.

#### Taxes and Exports

Exports will probably continue to be the mainstay of the Canadian economy for decades ahead, and our tax policy should be directed towards placing our export industries under the least possible disadvantage in relation to similar industries in other countries. We have already mentioned that levies which increase the cost of our natural resources entering into foreign trade or which apply to capital investment and thus increase overhead costs will have harmful effects. Governments should pay particular attention to the thankless but important task of reducing the tax content of Canadian exports to the lowest possible element. Other countries may provide special concessions under their tax legislation to promote the export industries -- such as that suggested for the United Kingdom by the Royal Commission on the Taxation of Profits and Income -- and Canada should not hesitate to take whatever steps are necessary to remove any disadvantage suffered by Canadian export industries from such concessions. One advantage of the concentration of postwar tax



reductions in the personal income tax is that the resulting higher "take-home pay" has probably relieved some part of the upward pressure on wage costs. For our export industries this is all to the good, and there may be occasions when further relief can be given by tax reductions of this sort. While it is not certain that an absolute decline in wage levels would result from a personal income tax reduction it is fair to assume that to some extent prevailing upward pressures would be offset.

#### Taxes and the Corporate Financial Structure

The maintenance of a balance between retained earnings, borrowing and equity money in the corporate financial structure is in the long run interests of the economy. Emphasis on debt financing which leaves industry heavily loaded with fixed charges and therefore vulnerable to declines in income has been shown to have bad consequences in the past. By the same token a restriction on the use of equity financing precludes a general and wide participation in the development of Canadian industry.

The tax factors which are thought to have most bearing on this aspect of the corporate structure are loosely summed up under the heading "double taxation". This phenomenon hardly requires explanation since it is well known that dividend distributions of a corporation are subject to corporation profits tax before distribution and to personal income tax after. It is said that this "double taxation" of dividends mitigates against





the use of equity capital and favours the use of borrowed capital because interest on borrowed capital is deductible from corporate income for tax purposes and therefore subject only to one tax -- the personal income tax.

Various proposals have been advanced to overcome this problem. The one most frequently urged is that dividends be made deductible under the corporation income tax in the same way as bond interest. The federal government some years ago adopted another plan known as the dividend tax credit, under which today dividend receivers are allowed to reduce the income tax on their dividend income by 20 points. This removes a substantial part of the double taxation by an adjustment at the personal rather than the corporation income tax level. Evidence on the extent to which this has influenced corporations to issue shares rather than bonds is difficult to obtain, but casual observation suggest that bonds, notes, debentures and similar forms of loan capital are the favorite corporate financial instruments of today. There are few new industrial share issues, and what there are for the most part are in keeping with a traditional policy of the corporation.

It has been suggested that the deduction of dividends pari-passu with bond interest in the corporate tax calculation would be a more effective means of encouraging corporations to issue equities than is the dividend tax credit. Such an approach would have the undoubted advantage of neutralizing





the tax factor at the point where its decisions on corporate financing are made. However, it would sacrifice corporation tax on a very substantial flow of dividends to non-resident ownership -- ownership which many Canadians, according to recent utterances, appear to feel should make the maximum possible contribution. To offset this concession would require the introduction of a dividend withholding tax of approximately the corporate rate on non-residents in addition to the present withholding tax, an unprecedented step which would result at the least in the abrogation of our existing treaties. This alternative has very serious disadvantages, therefore.

There are many factors besides those in the realm of taxation that affect the corporate financial structure, and it may be that these are of greatest importance. Many corporations appear to be reluctant to issue equities on other grounds and a large part of the Canadian public seems reluctant to buy industrial shares. Perhaps in time these difficulties will be overcome; by and large the present tax arrangements are quite favourable, and they should be made more so if and when possible.

#### Taxes and Non-resident Ownership of Canadian Business

A great many words have already been put on the record of this Commission and into the public prints in recent months on the effect of certain tax arrangements in discouraging Canadian equity ownership in subsidiaries of non-resident companies -- mainly of American origin -- operating in Canada. Considerable



stress has been placed on the fact that under present treaty arrangements with the United States the withholding tax on dividends going to an American parent company rises from 5 percent to 15 percent when non-American ownership exceeds 5 percent. Or in terms of the discussion, when the Canadian ownership exceeds 5 percent. Since it is normally not possible to offset this higher tax against the American tax the discouragement to an increase in Canadian ownership is obvious.

We do not propose to deal with this point at length. It may be however that the implications of present tax arrangements have been over-emphasized. Undoubtedly they have an effect, but it is not difficult to think of numerous good reasons why American enterprise is interested in developing business in Canada, and almost as many for doing it through a wholly controlled entity, which have little to do with taxation. The tax impediment to Canadian participation would appear to be of all the one most easily removed, and ample precedent already exists to suggest that it will be removed. In treaties negotiated more recently than the American -- those with Sweden, Eire and Denmark -- the reduced withholding tax applies as long as non-resident ownership is at least 51 per cent, and this could well indicate a pattern that will be followed in other new treaties or in the re-negotiation of existing treaties. Furthermore, most of the penalty for the American parent that has more than 5 percent Canadian ownership is probably about to be removed, at







least insofar as the Canadian federal income tax is responsible. If Ontario and Quebec impose corporation profits taxes under the new federal-provincial tax arrangements, the federal rate will be reduced to 36 percent (excluding old age security tax) in the provinces where the greatest number of American subsidiaries are found. At this level the American parent will probably have room to offset the full 15 percent federal withholding tax against its American tax, and I should say again in relation to the Canadian federal taxes, so that the 95 percent rule will no longer have as much importance as it is now thought to have.

Greater Canadian ownership and control of Canadian industry is an objective with which most Canadians will agree. A good deal more will have to be done to achieve this end however, than making of a relatively small change in our international tax arrangements.

#### Taxes and the Industrial Structure

Insofar as is possible the tax structure should avoid introducing artificial impediments to the organization or re-organisation of industries where closer integration is in the interest of all. On the other hand it should as far as possible avoid any artificial pressure on established small businesses that tends to force them to sell out to other businesses.

The principal barriers to industrial integration in the present tax scheme are the so-called



"designated-surplus" provisions of the federal income tax. The nature of these provisions is undoubtedly well-known to the Commission. They were introduced to close loopholes which were previously available through the use of tax-free inter-company dividends. This objective is a laudable one, but the present law is complex in its operation and needlessly severe in its effect. There is evidence that it has hindered normal reorganizations of corporate entities which would be in the general interest. Several solutions have been proposed for relaxing this measure while at the same time retaining its original purpose of closing a tax loophole. We do not advance any particular solution ourselves, but we do support the view that a revision is necessary and desirable.

Another problem encountered in the reorganization of existing businesses is the recapture of depreciation on the sale of fixed assets. In instance after instance today the result of this provision is to deny the vendor any capital cost allowance in respect of an asset sold though it may have been in use for several years. Rates of depreciation such as those now allowed in Canada are sufficiently high that an asset may be substantially written-off for tax purposes in a relatively few years and therefore still be saleable at a price far in excess of undepreciated cost because of its high remaining life. Under these circumstances some measures are warranted to prevent tax manipulation through recurring write-offs of the value of the same asset. But in recent years





the high sales value of assets has been as much the result of inflation as of the acceleration of the depreciation allowances. The effect of inflation of course could not be eliminated from the profit calculation, but the present instance of the recapture of depreciation is probably its grossest manifestation. Some relief -- perhaps through a token reduction of the amount of the recapture -- would ameliorate the deterrent tax penalty which now falls on vendors of fixed assets.

The principal aspect of taxation which tends to discourage the retention of ownership of small closely-held businesses is the prospective combined impact of income tax and succession duties on the distribution of the assets of such a business if a distribution is required on the death of a principal owner. Such a distribution can frequently be avoided or its consequences ameliorated by the use of the various means available to provide liquid assets at death or by the adoption of other arrangements during lifetime, including the payment of the 15 percent tax on undistributed income. Even these alternatives are not as attractive, however, as the sale of the ownership of the business during the lifetime of the owner or owners, which in Canada, in the absence of a capital gains tax, has almost no tax implications.

If any relief can be granted under the tax system sufficient to counteract even in part the tax advantages of an outright sale without creating





further anomalies than it would be desirable to take this step. It is doubtful if further reliefs should be provided under the income tax, since the existing provisions for payment of a 15 percent tax in lieu of normal personal income tax on undistributed income is quite reasonable. Whatever further reliefs might be made, therefore, should be granted under the death tax legislation. Here of course considerations of equity make it difficult to justify singling out estates in the form of business assets for more favourable treatment than estates in other forms (although this has been done in the United Kingdom). On the whole it would seem better to look to general measures of relief under the revised federal death tax legislation as an aid to this problem rather than to urge special treatment for business assets. Several forms of general relief have been recommended for implementation in the new legislation (higher exemptions, estate "splitting", lower rates, etc.) and it is to be hoped that some of these will be adopted.

#### Taxes and Individual Enterprise

We have spoken hitherto almost exclusively of the influence of taxation on economic development in the impersonal sense. Of equal -- perhaps even greater -- importance are its influences on the initiative and enterprise of the flesh and blood human beings engaged in the economic process. Our future economic development will depend to a large degree on the will of these individuals to create, to work, to invest, to manage, to advise and to carry out the



myriad other tasks essential to economic progress. The simple necessity of gaining a livelihood is of course the basic motive force, and a good deal of economic activity would have to be carried on solely for this reason irrespective of the level of taxation. Admittedly there are also strong incentives of a non-financial character which influence many individuals to make efforts beyond those required for maintaining a minimum standard of living. Experience of recent years serves to demonstrate that these influences are exceedingly strong, since many individuals in all walks of life appear to be working at or near the limits of their capacity despite current high tax rates. But in any walk of life where the decision to make extra effort is one that can be reduced to a simple calculation of the net return after tax, then the influence of taxation must be of great -- even if precisely incalculable -- consequences. In the same way in any risky venture which if successful will bring large returns in one year, the possibility that these returns may be subject in full to tax at highly graduated rates acts as a deterrent to risk taking. In some conditions the combination of the uncertainty as to the outcome of the venture, the uncertainty as to the taxable status of its yield if it is successful and the low net return that will be left if the yield is taxable are sufficient to discourage the venture entirely. Particularly will this be true where taxes take half or more of the return. The revenue implications of rates at these levels are far outweighed by their







deterrent effect on individual initiative and risk-taking, and a gradual reduction to more realistic and less onerous marginal rates would be in the long-run interests of the economy. Similarly, some means of reducing the confiscatory effect of high marginal rates on an unusual return in a single year from a venture -- or for that matter from any form of activity for which provision is not now made in the law -- would remove a substantial economic deterrent. I suppose in the division of our labour, Mr. Wilson, you should read this last paragraph.

MR. WILSON: Conclusion - It is our hope that the present submission and our previous publications will be of material assistance to the Commission in its important task.

THE CHAIRMAN: Thank you very much, Mr. Wilson and Mr. Perry. May we ask you a question or two?

MR. PERRY: May we sit for this part of it?

THE CHAIRMAN: Certainly. On page 7 at the end of your first point "Capital gains taxation", you deal with the question of capital gains and the English concept of income as applied to the resource industries particularly and you wind up by saying:

"We propose no alternative solution because we have not attempted to devise one."

The question I would like to ask is, have you gone



far enough in your thinking to believe a satisfactory alternative solution could be devised?

MR. PERRY: Well, there has been a lot of thought given to this over the last five years at least -- perhaps longer than that and I must confess that each new bout on it leaves me where I was when I started. I have not seen a way of overcoming this difficulty but I may have been seeking something a little closer to perfection than others because I have heard people say and describe factually that which they think would overcome the difficulty.

THE CHAIRMAN: Well, perfectionism is perhaps unattainable in the tax field.

MR. PERRY: It certainly is in this case.

THE CHAIRMAN: You believe that there are those who think that there are alternative solutions that might work?

MR. PERRY: Yes, I have heard proposals for solutions which might work.

THE CHAIRMAN: We won't pursue that any more. The next question I wanted to ask was on page 8 where you talk about provincial return from natural resources. I wonder if you would like to be a little more specific in terms of forest resources, mines and metal and gas individually, or is it just a general statement?

MR. PERRY: It is just a general statement and it is interesting that the approach to mining taxation is quite acceptable. As I say, almost every province taxes on a profit basis whereas in every other





realm you run into a unit basis which is a fixed cost factor payable irrespective of whether there is a profitable operation or not. We are making quite a study in regard to forestry taxation ourselves but it has not yet reached the point where we can say that any province is taxing too heavily or seeking too much return from the forest industry. In fact, one of the major difficulties is to find a set of measurements by which you can determine this factor. The assessment of the weight of the return that is now being sought is a very difficult matter.

THE CHAIRMAN: On the next page, Mr. Perry, under your fifth point about taxation of the petroleum industry you suggest that this study will indicate the nature of any remedial action which is called for which I think is leaving it on a hypothetical note anyway.

MR. PERRY: I should have said, "If properly carried out".

THE CHAIRMAN: You then go on to say:

"But it is becoming increasingly apparent that any solution must be preceded by a clear recognition on all sides of the role that the depletion allowance is intended to play in the taxation of the oil industry."

Now, we have heard a good deal about the way the depletion allowance works or does not work but I wondered by this statement if you meant that from a practical standpoint it is intended to produce a lower rate of taxes than after you have recovered the original cost and applies to industry generally?





MR. PERRY: Well, that is one of the points of view but there are about a dozen others. There is a lot of loose talk, for example, that the depletion allowance is intended to recover some cost of development for the resource. Well, if that is what it is intended to do it is a pretty poor sort of experiment. It is not working at all. But I don't think anyone in Ottawa would say that is what it is intended to do. As far as I can understand the official point of view this is something that has been granted for many, many years. Nobody is quite sure why in the first place. Nobody is quite sure now what purpose it is intended to serve excepting that it does work as a reduction in the tax burden of a risky industry. You can list three or four other points of view. All of these are adding up to no agreement whatever as to the objective that the depletion is to serve and I think although you have some idea of what that objective is, you don't know what you are up against.

THE CHAIRMAN: I think that is a very good answer. You were talking on page 12 about the corporation income tax and depletion allowances and at the end of the first paragraph you end up with the sentence:

"To the extent therefore that this tax can be reduced a stimulus will be given to industrial capital expenditure."

Do you believe that an equal or greater stimulus would be given rather than by a reduction in the corporation income tax rate instead an increase in



rates of depreciation allowance? If the purpose is to stimulate industrial capital expenditure and if you say to industry, "Instead of the treasury paying whatever the X percent is in the first year, we will let you write the whole thing off", do you think that would be a greater incentive than to fool around with a lot of taxes?

MR. PERRY: Well, I don't know how you could do that but certainly the granting of unlimited depreciation in the past years would have had this result -- first of all the result when compared with a reduction in corporation income -- this is such an unusual experience it is very difficult to say -- but I find that in business thinking there is a great deal of importance attached to this "write-off" -- get it written off. Sweden, you know, had a system of unlimited write-off and finally abandoned it because they were finding it was very inflationary and it is a fact that it was giving too much incentive.

THE CHAIRMAN: Well, sure, I can understand that but just on this one point of stimulus, I would like to know whether Mr. Wilson would have a view on that.

MR. WILSON: Mr. Chairman, I think that in trying to compare the question of whether you get more stimulus from increased depreciation allowance or from a reduction in the corporation income tax rate I think both have their place, but I think you get more stimulus in the instance where, for instance, a corporation is considering the investment in specific





machinery or remodelling machinery. The depreciation rate then, I think, is the governing factor but if the decision is one relating to investment in what is almost a new venture or an additional venture of some size then I think the corporation tax rate that starts to have some effect because you have to look at your net return and you may have the capital available but you still have to look at the net return on that capital and to follow through on this one point I think that what was meant here to quite an extent was the accumulation of those within an industry as well. It is a double-barrelled point as well as the reduction of the tax rate not only the accumulation but the ability to amply repay capital that is invested.

THE CHAIRMAN: Well, the next question I would like to ask was on the section dealing with corporation financial structures in which you question the extent to which debt financing has been resorted to. It is a point which a lot of people make and they are inclined to view it with alarm and so on but I wonder if one is right in assuming the present tendency to debt financing is so overdone. After all, there are limits and very definite costs which are established by the people who market and buy the bonds and debentures of the corporation and when they think the underlying equity in either the form of stock or accumulated earnings is not sufficient they put a clamp on how much you can deduct. I speak with some feeling on the subject. Don't you feel that this Act is a bit of a check?

MR. PERRY: It is very much a guess. Actually



the conditions that they are looking at are the conditions of the moment that the issue is made. Whether those conditions will ten years later bear out your postulations at the time is something else again. I don't think we make much point of this ----

THE CHAIRMAN: I was making the point rather than you. I agree with that but I hear it so often all over the place that our companies in this country are bearing too much that I thought I would get your view on it because it does seem to me that there are very definite limits as to how much they can borrow that are placed on them by the investment fraternity and more importantly the insurance companies and others who buy the bonds.

The next question that I wanted to ask was something in connection with this question of non-resident ownership of Canadian businesses. On page 18 you end up by saying:

"A good deal more will have to be done to achieve this end, however, than the making of a relatively small change in our international tax arrangements."

Now, I would agree completely with that statement but I would ask have you any suggestions to make?

MR. PERRY: I would like to think it would have to be done without any fooling around.

THE CHAIRMAN: As far as we are concerned we don't want to restrict you, Mr. Perry. If you have any suggestions we would be glad to have them.

MR. PERRY: You see, it is tied in with the





equity ownership in Canada. They are not separate arrangements; in other words, if a Canadian company does not show much desire to buy equities of Canadian companies why is it going to show any more desire to buy shares of non-resident companies?

THE CHAIRMAN: We had a lot of people here saying they would buy anything that was for sale but there are not enough Canadian common stocks around and the proof of that is the price at which they are selling.

MR. PERRY: If you have enough people paying that then the job is done. I don't think you have had that many people before your Commission.

MR. GRAUER: Is there any real evidence that Canadian investors won't buy industrial shares?

MR. PERRY: I only draw this conclusion from the fact that they don't buy. They buy Canada Savings Bonds in great quantities and seem quite happy about it.

MR. GRAUER: What new issues don't they buy? It seems to me in many cases they don't have a chance on new issues.

MR. PERRY: I carried on a little questionnaire among friends of mine asking them whether they were ever asked to buy an equity and I have yet to find one who was asked to buy.

MR. GRAUER: Are they not available or is the salesmanship poor or what is the matter?

MR. PERRY: Well, you are getting me out beyond my depth here. If I were addressing the





Investment Dealers Association I would speak out quite frankly on that subject.

MR. GRAUER: You have answered the question, I think.

THE CHAIRMAN: To go back to taxes, on the last page or two you refer to the personal income tax and the marginal rates and particularly in the higher brackets and you make the statement:

"The revenue implications of rates at these levels are far outweighed by their deterrent effect on individual initiative and risk taking, and a gradual reduction to more realistic and less onerous marginal rates would be in the long run interests of the economy."

Do you mean by that that the rates of personal tax above, say, 50 percent, should be reduced?

MR. PERRY: Yes, I guess that is what that means, Mr. Chairman.

THE CHAIRMAN: I just wanted to be clear on it.

MR. PERRY: The fact of the matter is that as our statistician has calculated, the rates which exceed 50 percent now produce about \$5 million of revenue.

THE CHAIRMAN: Is that all?

MR. PERRY: Yes, out of \$1½ billion. You can take the top marginal rate of 50 percent and lose \$5 million, or assuming he is low, \$10 million.

THE CHAIRMAN: I was going to say is he



a good statistician?

MR. PERRY: He is an excellent statistician.

THE CHAIRMAN: Thank you very much.

MR. GRAUER: On the top of page 20, I am not quite sure what you mean. This is with respect to recapturing depreciation charges from taxation:

"Some relief -- perhaps through a token reduction of the amount of the recapture -- would ameliorate the deterrent tax penalty which now falls on vendors of fixed assets."

If you take an actual case I am not quite sure what you mean by reduction. If you say that the depreciation has brought the asset down to 30 percent of its original cost and they were sold for 80 percent leaving a 50 percent gap there which would be open to recapture just what would you do in this token reduction to ameliorate the penalty?

MR. PERRY: What we had in mind there, sir, is that it is practically impossible to gauge entirely or accurately just how much of this recapture that exists now arises out of inflation and how much out of excess depreciation allowed originally. The thought is when we say a token reduction that it would have to be an arbitrary reduction. Supposing you set that at 50 percent of what is now recaptured -- well, 50 percent only would be taxable. That might be one figure that would be chosen, and someone might say 25 percent would be a more appropriate figure but that is what is meant by the word "token".





MR. GRAUER: That would be a standard figure affecting all cases, would it?

MR. WILSON: That is right, yes.

MR. GRAUER: On page 13 where you talk about the necessity of being very careful about taxing export industries, has there been any study made at all about the taxable content of products of the export industry arising from service industries and other purely local industries within Canada? You have such obvious things as electricity and telephone and a whole group of service industries. In other words, you can't load it on to the local industries in favour of the export industries because it would come back to them anyhow to quite an extent.

MR. PERRY: There are certain of these things that I suppose can not be removed. Starting at the bottom you have the real property tax and a good bit of it must fall on export industries. They are just going to have to live with that and going up the scale some of the taxes on their materials and services such as you mentioned probably have to be accepted but when there are some glaring things such as our reference to sales tax on machinery and equipment and apparatus, these stand out by themselves and can be excluded specifically.

MR. GRAUER: I don't suppose that anybody has been able to estimate whether the sales tax in those provinces that have the retail sales tax, as you say, falls upon industrial equipment and whether that has been a deterrent to industrial development in those



provinces?

MR. PERRY: Well, it is pretty hard to say really. Under normal circumstances an additional 3 percent to 5 percent in your cost would be a deterrent. You find projects which are ultimately costing 50 percent more than what was anticipated in the first place because of price increases and in a period of rapid expansion it is probably ridiculous to say that a 3 percent or 5 percent sales tax is the major deterrent and yet under normal conditions you would think it would be.

MR. GRAUER: It depends upon the state of prosperity?

MR. PERRY: I would think so, very much.

MR. GRAUER: Thank you.

MR. STEWART: You said that if the maximum rate of profit tax were reduced to 50 percent that the difference would amount to \$5 million?

MR. PERRY: That is right.

MR. STEWART: I just wanted to know what the reasonable conclusion to that is. Is it that it doesn't make that much difference?

MR. PERRY: We just don't have that many wealthy people. In one of our journals last year we published a table which gives in considerable detail the effect of auditing marginal rates at various top levels and granted that this is a year old and there may have been some change in the figures in the meantime, the cost as we calculated it at that time on a top marginal rate of 30 percent would be \$53 million.





A top marginal rate of 40 percent would be about \$42 million and a top marginal rate of 50 percent is \$4.7 million. I think putting it another way the income tax is of mass application.

MR. STEWART: But we were discussing this in terms of the incentive to invest and you seemed to infer that we should cut the rate to 50 percent because it would provide an inducement?

MR. PERRY: I would not want it to be suggested that if possible all the rates should not be cut.

MR. STEWART: No, you are talking about the maximum?

MR. PERRY: Talking about the top rates and I should say that they have almost no revenue implications.

MR. STEWART: And no incentive implications either?

MR. PERRY: Oh, well, I would think very considerable incentive implications, yes.

MR. STEWART: Why?

MR. PERRY: Well, when you get to the point where half of the net gain that you are going to make from extra work or investment is going to the government I think you would have ---

MR. STEWART: But apparently the amount is only \$5 million?

MR. PERRY: Yes.

THE CHAIRMAN: That is all that is paid out in the tax.





MR. PERRY: In aggregate it is only \$5 million to the poor government.

THE CHAIRMAN: But surely we are talking about two different things. The incentive would be the man who would normally keep his money in the bank or buy short term bonds would instead invest it in other things where, if he were successful, he would have a higher rate of return?

MR. PERRY: Yes.

THE CHAIRMAN: Well, thank you very much indeed, Mr. Wilson and Mr. Perry. This has been a very interesting submission and discussion. If you, upon reflection, decide in a number of these cases that you have specific ideas as to the remedies, we would be very glad to see them.

MR. WILSON: Thank you very much,  
Mr. Chairman.

--- Recess

--- After Recess

THE CHAIRMAN: Well, Dr. Steacie, it was very good indeed of you to take the trouble that you obviously have to prepare these figures for us. We appreciate it very much. We will mark your submission Exhibit 262 and if you are ready we will proceed.

DR. STEACIE: Well, I think, as you know, sir, I have no particular axe to grind in this but I do think it is a good thing to have these figures on the file, on the record, because there has been a great deal of talk about the subject. I should emphasize that the figures are difficult to come by.



The Commission probably has the definition of research. In government spending one can talk of estimates. Even then there are consolidated items that either do or do not, are not research in research estimates and in other estimates there are items that are research that are not included. When you get to industrial spending the main difficulty is the definition of research and in general the active industry will not report these, just the smaller industries. A small industry or industrial group will include things in research that are not really research. I think in spite of the bias that you get in the figures you can get somewhere and in recent times the National Science Foundation and other groups in the States have for the first time produced some figures that are reliable. The Dominion Bureau of Statistics in Canada are making a survey also and I think there are some things that are quite striking. We all know, of course, that the branch plant system in Canada means that research is very often done by foreign organizations abroad and consequently relatively little industrial research is done by Canadian firms.

At the same time there has been a big expansion of research and striking figures are, I think, the government expenditures. In Canada if you have to estimate for the coming year, the expenditure is about \$8.90 per capita, in the United States \$13.70, the United Kingdom \$11.00. This corresponds on a Gross National Product basis to .572 in Canada, and .58 in the United States and this despite the enormous amount of money expended in the United States, so we spend almost as







much as they do. If you separate the military from the civilian, your figures are less reliable because it is very difficult to distinguish but with an uncertainty of perhaps 25 percent they come out in Canada to \$5.40 per capita and United States \$4.40 so that I think allowing for the uncertainty one can say that in Canada the government is spending as much on civilian research as in the United States, which I think is a rather surprising figure.

Industrial spending in Canada is impossible to estimate. To be equal to the United States or Britain would require about \$250 million a year on a Gross National Product basis. I am sure that Canadian industry spends much less. It is hard to say how much they should spend because of the fact that foreign organizations abroad are doing research for them and I am inclined to feel that in view of the branch plant situation it probably will always be necessary to have relatively higher percentage of government spending in Canada as compared with spending by the industry itself. It is also true that the smaller firm is probably the one that needs government assistance more than the big firm and Canadian firms are smaller.

University spending is again somewhat difficult to estimate. There has been in Canada a very large increase in university support by the federal government. On the other hand, if you compare it with the United States you have difficulties. American government support to universities is largely through military organizations and I know this is really just



asking the universities to undertake the management of a government department and it is extremely difficult to separate real university support from apparent support. If you estimate that about half their support is apparent rather than real you would end up with a support which is at a considerably higher level in the United States but again a lot of this comes from military organizations. Part of it is for ad hoc arrangements which are not in the best interests of the university. You must, I think, say though, that real support is higher in the United States. The Foundations in the United States like Carnegie, Rockefeller and others, surprisingly enough, contribute very little. The total is only about \$10 million a year and if you transfer this over on a per capita basis this would be the equivalent of \$700,000 in Canada. The National Research Council alone contributes four times this, so that the Foundations in the United States have relatively a much smaller effect on the whole than us. There are a great many societies in the United States using current funds rather than endowed funds and there is a great deal more capital support of the universities in the States so that all told one could certainly say that from all sources the support to the research in the sciences in the United States' universities is very large. Canadian support is certainly increasing and increasing rapidly but still has some distance to go.

As far as people are concerned there has been a great deal of talk about the shortage of scientists and engineers. There is no doubt there really is a





shortage. I don't think at the moment that it is a very serious shortage but it will become so and I think it will be met with/<sup>out</sup>difficulty from a personnel standpoint by an increased birth rate which will provide more university students and it seems to me that the whole problem in Canada of the supply of more engineers and scientists as they become needed is a problem of university expansion. The potentialities are going to be there with the increased enrolment. These should supply the demand. I don't think it is necessary to resort to persuasion to coax students into science or engineering but what I do think is necessary is to solve the problem by helping the universities to meet the increasing enrolment. It is not something which I should speak about here but it was taken up by the National Conference of Universities.

To sum up then, I say that we are not in the position that we are spending government-wise as much as the United States relative to our size and state of industrialization. Industrially we are spending relatively a small amount. One does not know what the amount should be because of the difficulties of knowing how to fit the branch plant situation in and as far as the universities are concerned there has been a large increase in expenditure but there is a very long way to go in university support.

THE CHAIRMAN: Thank you very much,  
Dr. Steacie. May we ask you a few questions?

DR. STEACIE: Certainly.

THE CHAIRMAN: I was interested in your





comparison of government expenditures in Canada and the United States. On a per capita basis and on the basis of Gross National Product what I wondered was whether comparisons on either of these bases really mean an awful lot. The conditions might conceivably require us to spend a great deal more on a per capita basis or a great deal less. We are talking about the relative shortage or the lack of any important amount of industrial research in Canada but it does seem to me that one of our really great national assets in this country is the fact that we have access to these tremendous research facilities in the United States. Mr. Eadie was here the other day and he was talking about the fact that any of the Canadian telephone companies can get full access to the research work that is being done by the Bell system in the United States for a relatively modest fee. Now, quite obviously that kind of work could not be repeated here.

DR. STEACIE: Well, isn't this equivalent, sir, to the statement that in a pioneer country we have raw materials so it is unnecessary for us to manufacture anything in Canada because we can sell our raw materials and buy everything abroad; in other words, we can stay as a complete producer of raw materials and nothing else? We have gone one stage in that way beginning to manufacture for ourselves rather than just produce raw materials. The question then is, shall anything that involves brains be done abroad and we stay as a raw material producer in that -- we simply produce the



students but do not employ them? I don't know. I think there are two problems. One is prestige and the other economy and I feel on a prestige basis we should encourage industrial research as much as we can. On the economic basis I quite realize the most foolish thing we can do is to throw away these advantages we have by giving that to foreign organizations. My own personal feeling is that the trend is very good, that more and more companies are beginning to do more research in Canada and I don't think there is too much to worry about in this trend as I think the trend is excellent. The amount of industrial research has increased very rapidly but I think we have a difficult problem to meet in this regard.

THE CHAIRMAN: You refer to the research work that is done in universities. If it is desirable to encourage research work to be done in Canadian universities, if maybe it is and could be tackled -- and I think we can forget that Dr. Stewart and Dr. Gushue are rather interested mainly -- but if it is then I would be interested in hearing your views as to the limitations on research work in universities -- what lines of research could best be done in the universities and what could be done to help things along both by the government and by industry.

DR. STEACIE: Well, I think, sir, that as far as what kind of work can best be done I think fundamental work, basic work in sciences is the answer and that the university is the proper place for this.





I think that applied work in certain limited cases but I think that too much applied research destroys the university. As to financial support, speaking as a private individual, I would like to see the universities get as much money as possible. Speaking as a government employee, this is a matter of government policy which is, I think, beyond my terms of reference.

THE CHAIRMAN: Some of the university presidents were here the other day and they said they would welcome a movement of policy which included in the research grants some reasonable percentage that would offset the cost of overhead and administration. Perhaps they had mentioned that to you.

DR. STEACIE: Well, the Research Council is in the peculiar position of being a member of the National Conference of Canadian Universities so in one sense this is our own brief. This is one that is difficult. I think one should make clear that the purpose of grants and aid such as we distribute is to assist the universities in doing research that they themselves want to do, that any idea we are trying to impose problems on them or that they are working for us should be ruled out. Frankly, I think the real position at the moment is that I am very interested in universities, the Research Council is anxious to do as much as it can. The support that we have got from the government has risen very rapidly and I think we have had very generous treatment and if one takes the amount of money available -- whatever amount



of money the government in their wisdom have provided us with -- then from our establishment we have the option of giving this as grant or of giving a lesser amount and then giving overhead and our feeling is that rather than give a physicist \$800 and give the administration \$200 if there should be \$1,000 to give away, we would rather give the physicist the \$1,000 and let the administration worry. I think it is a very difficult thing to make a decision on. This problem of administration is part of the problem of general university funds and no one has more sympathy than I have for the universities and their shortage of funds. As far as the Research Council is concerned our job is to give to the universities whatever funds are provided to us and, as I say, I think the total that is included in here shows that the rate of growth has been very rapid and one hopes it will continue to be very rapid.

MR. GUSHUE: You would not trust the administration and give them all the funds so that they could expend them?

DR. STEACIE: Well, I think in the first place I am not quite sure whether the British North America Act would stand if we did this.

MR. GUSHUE: I won't press it.

THE CHAIRMAN: Well, Dr. Steacie, we have heard a lot in the various submissions about the requirements for more engineers and scientists over the next 25 years. We have also heard a great deal about the additional expenditures that will have





to be made both in the schools and in the universities. Dr. Mackintosh told us the other day that on the average it costs about \$1,200 per student at the universities and that it would cost in the science and engineering faculty probably considerably higher than that. Now that there may be token fees that are paid too, that leaves a fairly substantial balance, if the amounts are going to be increased. We have also heard, I should have added, a good deal about the numbers of engineers that are attracted and scientists that are attracted to the United States. Now, if the expenditures are going to have to be increased are there any ways in which we can dissuade the new products, scientists and engineers from leaving the country?

DR. STEACIE: Unfortunately I have some figures being prepared which I have not with me but there has been a tremendous amount of exaggeration about the number that are leaving. As an example, in the Research Council out of some 700 professional employees we lost 6 people to the United States last year. Now, our turnover is about 10 percent. We encourage this. People come and go. They come in and go to industry and that means only 10 percent of the people who left us and went elsewhere, went to the United States and effectively this departure from us to the United States where the salary levels are much higher, has no effect on our personnel position at all. In 1955 22 people got Ph.D's in Chemistry at McGill. Four went to the United States. It is a trend but it is not a very large trend and I think the trend





has been very much exaggerated and my own personal feeling is that it is not a matter of salary primarily. There are certain fields for which the opportunities in Canada for professional work are limited and if a man has certain interests he will go where he can do work along the lines of those interests and it seems to me that in view of the figures, the decrease in the number leaving for the United States over the last few years at a time when salaries have been very high, the number going to the States has been falling. I am speaking particularly of research people. It seems to me that all one has to do is to provide more opportunities for industrial research in Canada and you primarily solve the problem. There still is a trend but I don't think it is nearly as serious a trend as people make out.

THE CHAIRMAN: Well, if we could get the overall figures, of course, that would establish it one way or the other. If you get them while we are still in operation, we would very much like to see them.

DR. STEACIE: There is one feature of it, sir, which I think is quite important and I have not heard said. Quoting from memory, perhaps '55, perhaps '54, in this year, there were something like 1700 graduate students from Canadian universities in science and engineering. For the same period there were about 500 Canadians in graduate schools in the United States. Now, these are the people we really miss because the man who does graduate work in the United States will tend to get a job there through the medium of his professor in the university and I think the existence



of Canadian university graduate facilities would automatically siphon these people back into Canada. They would no longer go to the United States for graduate work and there is no doubt the major list of Canadians is therefore going to the States to do graduate work. In any expansion of graduate work we can make in Canada will hold these. I think this is a potential familiar to quite a lot of people that could be debated.

THE CHAIRMAN: Dr. Gordon, when he appeared before this Commission said that in the previous week the representatives of some one individual American aircraft company had come up and taken a suite in the Royal York and had hired and taken away from him 40 engineers. He may have been in an enthusiastic mood that day but it seemed a lot.

DR. STEACIE: I think there is no question that engineering and electronics are the two fields with the major shortage so far and here again these are companies with very large defence contracts and not too much of an objective.

THE CHAIRMAN: Thank you.

MR. STEWART: Your statement on page 9 with regard to the shortage of scientists and engineers is somewhat at variance with the other evidence we have received. I think perhaps the matter of timing and perhaps the word "presumably" were significant in your statement. Would it not be true that for the next several years at least it is going to be difficult to catch up on the increasing demands but when this bulge





ultimately gets through the universities that might be six or seven years from now?

DR. STEACIE: I have a feeling that in a time such as the present we will have a shortage of all skilled people, in fact a shortage of all people skilled or unskilled pretty nearly and it is hard to distinguish between a shortage which is having a serious effect on the country and a shortage which merely means that all the companies would like to have a few more. I rather doubt if the shortage of people at the moment while it is something to worry about, is having a really adverse effect on the situation in Canada and I think that this increased enrolment which is going to start worrying us will help, but in any case I think facilities are what we need at the moment.

MR. STEWART: In the following paragraph referring to the graduate training programme in engineering at the universities, the universities appreciate what the National Research Council is doing to meet this problem but I suppose we have to assume that basically this is a salary problem, to keep these people at the university in the summer time?

DR. STEACIE: I think in part it is the fact that engineering research has not been done in the universities and that one has to build this up slowly and that the essential thing is to start by getting a few enthusiastic members of university engineering faculties who will do research and who will infect the students and the thing will grow but at the present time there is no question that there is relatively very



little engineering research in universities. In the States the greatest trend is the trend in research. About a quarter of all the engineers in United States are on research and development which I think is a most surprising figure.

MR. STEWART: Mr. Gordon asked you about the place of research in the university and the university contribution. I had a much wider question which embraces that one which you may not deal with today but the whole question of the place of government and industry and of the universities for particular functions which they could best perform in the light of what we want to accomplish from a total programme of research. That is a pretty big question. Is there anything you would like to say about that?

DR. STEACIE: Well, I would think, just to summarize and put it very briefly -- I think the basis of the whole structure is the university which is both training people and doing the fundamental work. I think there are a large number of long term projects which are of value to the economy but are not really commercial where you need government laboratories and you also need someone who can help the smaller company that cannot afford to do its own research. I would say to the maximum possible extent one would like to see industrial research done in industry and I think the government lab has a holding position in the middle where it can do some fundamental research but particularly the long term industrial research -- the thing that is in between strictly academic research and





research which can be done for a commercial motive.

Now, of course, the whole picture is confused. The very large companies are trending much more in the direction of fundamental research and to some extent applied research via contracts is getting into universities which I think has its drawbacks but I think basically the university is the fundamental thing in the whole picture.

MR. STEWART: I have just one more question and it is a relatively minor one. May we conclude from Table I that the government contribution in medical research is relatively slight? The National Health and Welfare figure is quite small. There are no doubt other figures from other sources?

DR. STEACIE: The National Health and Welfare figure is rather difficult. There actually will be other than in the hospital grant. There are other isolated amounts that are spent for research. The total will be larger. You have a very considerable amount from the Defense Research Board and I think if you take -- you mean research in general or university support?

MR. STEWART: General medical research.

DR. STEACIE: I think that the reason for the small direct expenditures here is simply that medical research has always been regarded as a university function. It is something you can't do apart from a teaching hospital to any great extent so that the direct expenditure on medical research has always been small and anything in here or a lot of things in here





would be support to other facilities rather than direct expenditure.

MR. STEWART: In a general way do you know whether we are in comparison with others spending relatively little on medical research?

DR. STEACIE: In other countries?

MR. STEWART: Yes.

DR. STEACIE: I would think not. I would think we were spending a relatively reasonable amount compared with others. Total support for medicine in universities comes from several sources. It comes, to some extent from Veterans Affairs and from the National Health Department. It also comes from the Defense Research Board and ourselves. There then is, of course, a great deal of support from society and other types of organizations which add up and the Department of Health and Welfare can give figures on the subject. I am sure that they could provide the data but all I would say is that in view of the amount and the high quality of medical research that is going on I don't think we are falling behind any in medical research. I don't mean I would not like to see more support.

MR. GUSHUE: Dr. Steacie, we have had a rather interesting and perhaps frightening picture painted of the situation in Russia with regard to the production of scientists and engineers and the fact that they have come from behind everybody to a leading position among the great nations in the world. Have you any comments on that or any opinion?

DR. STEACIE: Well, this is difficult.



It seems to me that the decision as to how many engineers and scientists that they need in Canada should not be based on the number of engineers and scientists that exist in Russia. Whether they need the people or we don't and whether you need more than they do or less, depends on the complexity of our industry so it might be that our deficiency will change the picture and it seems to me that if you take the rate of production of engineers and scientists in Russia as a rate we should have, you would have 8,000 a year in place of approximately 2,000.

Now, maybe we are going to need 8,000 a year but we certainly don't need them today, so that I feel that the injection of the Russian figures is a mistake. It is a question of giving the wrong reasons for doing the right thing. It seems to me that if we are not too fond of everything the Russians do the idea that we slavish follow them in education and say we must produce as many people as they produce in any given field is a false programme. I think the important thing is, though, we are going to need this increased supply. We have a shortage of engineers now. It is going to get critical and we need to provide facilities in universities for engineers and scientists and it has not anything to do with the number of engineers and scientists in Russia. I for one am not impressed by the data produced by Russia or by the argument that it is an applicable set of data. I still think there is a shortage of engineers and this shortage





will get critical if we don't expand, but I think that citing Russia is not to my mind an intelligent argument.

MR. GUSHUE: I think that perhaps it has come more and more from the fact that people would suspect the use to which Russia would put their resources eventually.

DR. STEACIE: I think it is a very difficult thing. You are basically trying to judge the state of Russian education by examining documents produced by the Minister of Education or by examining the curricula and I think there is nothing more unreliable than a mere examination of the curricula of two institutions to see whether the standard is as high and there is the use of these people -- to what extent they are being used in the place where they should be, to what extent in the economy they are being used in places where we would have lawyers or art graduates. So I think it is complicated and it may be these figures are flourishing evidence that they have such an advanced state of Russian industrialization. But it just seems to me that these figures are inapplicable as an argument for judging what the Canadian needs are in the future of any particular kind of University graduate.

MR. GUSHUE: Are they applicable as comparisons of industry, not necessarily something to be followed but to compare the present state of industry with Canada?

DR. STEACIE: The indication would seem to be that they are producing engineers and scientists at the same rate as the United States and this simply



seems to indicate that their educational programme has been startlingly successful over a relatively short period of, say, 35 years, but I don't see the argument that if Russia produces X engineers per annum, Canada should produce an equal number without any reference to the needs.

THE CHAIRMAN: Well, thank you very much, Dr. Steacie, we are very grateful to you.

DR. STEACIE: Thank you very much.

--- Recess

--- After recess

THE CHAIRMAN: Well, shall we come to order? It is a great pleasure to welcome the University of Saskatchewan to these proceedings. We will mark your presentation Exhibit 263 and if you will proceed in whatever way you wish, we will carry on.

DR. BRITNELL: Mr. Chairman and members of the Commission I appreciate this opportunity of appearing on behalf of myself and my colleagues, Professors Fowke, Timlin and Buckley, members of the Department of Economics and Political Science, University of Saskatchewan. I should like to emphasize the fact that the views expressed in our submission represent our private opinions as economists. They are not to be held to incriminate in any way the university which employs us or the Government of the Province of Saskatchewan which, so far as I know, is completely unaware of the existence of this brief or of my presence here today.

I had hoped that Dr. Timlin might present





the brief since neither I nor Dr. Fowke who is here with me today lay any claims to being specialists in the field of economic theory. We have followed the reports of your meetings in the press and from these we gather there has been a considerable discussion on monopoly and on Combines administration in relation to Canada's economic prospects.

The reasons for our being here today appear fairly succinctly, I think, in our submission so to save time I shall, with your permission, proceed immediately with its presentation.

THE CHAIRMAN: Certainly.

DR. BRITNELL: The title of our brief we have put down as Workable Competition and Monopoly.

We have prepared this submission in the belief that existing tendencies toward growth in the size of business organizations in Canada can have evil consequences as well as good. We are convinced that it is highly important for Canada's economic future that the machinery devised by the law for protection against the evil consequences should not be weakened. At no time is protection of the public interest as important as during a period of rapid growth and development. Distortions in the structure of the economy originating in periods of expansion frequently lead to grave economic difficulties. We desire not only growth and development in Canada; we want, as far as possible, balanced growth, carried on at a rate which escapes inflation as well as deflation, and the effects of both.

It is our intention to develop this





brief in four sections: The first to deal with the background against which the need for the Combines administration has developed; the second, the concept of "workable" competition; the third, with the idea that monopoly may be an "engine of progress"; the fourth, with the relation between private morality and the public interest.

I. Economic organization in the Twentieth Century has been characterized by trends toward increasing size in the business unit and toward concentration of economic power. These trends may have different origins. The enlargement of plant may bring genuine economies through mass-production methods. In the multi-plant firm further economies may be brought about through centralized management and control. Great economic gains have come to us through such expansions in the Twentieth Century and they have been the basis for a remarkable rise in the standard of living. Even in agriculture, the most competitive of all industries, there is a pronounced trend toward an increase in the size of the most effective unit and toward an increase in the productivity of labour under new practices and technology.

But for many industries there is one inevitable by-product of increased size. The process of enlargement of the individual firm may mean drastic reduction in the number of firms serving the market. It is particularly true in a market such as Canada where the total number of customers is less than 16 million, that relatively few firms may remain when



individual firms have reached their most economic sizes. This in itself is a circumstance which facilitates the exercise of economic power in a degree that may prevent falling costs and lower prices. Furthermore, amalgamations and mergers may actually bring diseconomies which are protected through power over prices.

In modern economies, where either the diseconomies of further growth or the vested rights of existing firms prevent a further reduction of the number of firms in an industry, collusive agreements among existing firms may be a cheaper and more effective method of gaining control over sales and prices. It is in this area that Canadian Combines legislation has operated with the greatest efficiency in the public interest and this, as one eminent Canadian economist has put it, "is no mean contribution".

It would be disastrous if we were to attempt an interpretation of the problems relating to economic growth in Canada today in the perspective within which economists of the Eighteenth and Nineteenth centuries saw theirs. Institutional changes and the rise of the large corporation make our situation vitally different from theirs. Adam Smith, although he was a realist about tendencies of human nature toward private monopolistic action, wrote *The Wealth of Nations* as an overwhelming argument against the state-sponsored monopolies, the Navigation Acts, and other restrictive practices of his own day. John Stuart Mill, writing in the middle of the Nineteenth Century, was so





little concerned with monopoly as a social phenomenon that his Principles of Political Economy makes only two short and unimportant references to it, and his chapters on growth and development of the economy do not mention it at all. Alfred Marshall, writing later in the century, could still feel that in his time the tendency of large firms to drive out small ones, under the spur of increasing economies of size, had already exhausted most of its strength and that:

"Especially where the powerful economies of production on a large scale are associated with the use of new appliances and new methods, a firm which has lost the exceptional energy which enabled it to rise is likely ere long quickly to decay; and the full life of a large firm seldom lasts very long."

For both Mill and Marshall, competition was the norm and monopoly the exception. If the latter stressed "enterprise" rather than competition, it was because he believed that there is, to quote Marshall:

"a constant increase in the forces which tend to break up old monopolies and to offer to men, who have but little capital of their own, openings for starting new businesses."

The world portrayed by Marshall, where the entry of new firms even into competition with large-scale enterprises was easy, is not the world in which we live today. We live rather, to quote



Professor Generalist and I have appeared before this Commission:

"in an industrial community where  
oligopoly -- or, more horrid word,  
private collectivism -- is the rule."  
Certainly, if it is not the rule it is at least  
extremely prevalent.

The situation today must be seen against  
the changing nature of the corporation, based as it is  
upon new privileges accorded it under the law.  
Limited liability rights were not granted to registered  
joint stock companies in England until 1855, seven  
years after the publication of Mill's Principles. By  
1865 in the United States we still find, to quote  
A. A. Berle and Gardiner C. Means "Corporation" in  
Encyclopedia of the Social Sciences, Vol.IV, pp.417-18:

"the germ of the modern conception of  
corporate power -- the belief that the  
rights of the participants as well as  
the technical conduct of the business  
must be subject to managerial discretion."

Over the period since then "the increase of management  
power has roughly paralleled the increasing size of  
corporate enterprise, thereby setting the stage for  
the corporate system of today". From this flexi-  
bility of management, united with limitation of lia-  
bility for ownership, have developed the great mass  
production methods and a significant portion of the  
greater plenty of today.

But the privileges which have been granted by



the State imposes a special obligation upon the State. The State, which created the corporation and made it a legal entity, has a responsibility for its regulation in the public interest. This is the moral as well as the legal basis for our countries legislation and any attempt to weaken the force of the legislation must be assessed against this background.

It is against this background also that we must examine the claim that "cheapness and plenty" flow freely from competitive innovation in technology within contemporary market structures. Thus, we need to know, in the public interest, what kind of competition, what kind of innovation, and what uses of accumulation, are characteristic of the actual market structures in our economic world. In the simpler world of the Nineteenth Century, competition meant price in relation to quality. Today, where price competition is frequently limited by market structures, innovation at the consumers' level may be merely a confusing product differentiation of a type which is cost-raising but which has little connection with the functioning of the product. We may find an electric light bulb or a linen tea towel in our package of soap -- or our automobile may be enamelled in three colours. At the producers' level "competition" and "innovation" in market practices may take other and more strategic forms more closely related to the acquisition of market power than to efficiency. Innovations may contribute to "cheapness and plenty" and certainly many do; but there are many more that do not and these we may reasonably refuse to





acclaim.

In the arena of collusive agreements, the weight of evidence up to the present is that they do not stimulate innovations or improvements in business practice. The Report of the British Monopolies and Restrictive Practices Commission, presented to Parliament in June, 1955, after an inquiry lasting more than two years into the nature and effects of various types of collusive agreements, has the following to say respecting the relation of these agreements to innovation and improvements - and this is quoting from that report on Collective Discrimination:

"We have been impressed particularly by the effect of a binding and collective obligation in preventing manufacturers or distributors from experimenting and from trying out new or different ways of conducting their business. Such obligations create an undue rigidity which may affect the numbers and kinds of concerns engaged in a trade, the trading methods adopted by those established in the trade and the level of prices both generally and to different classes of buyers."

The Report recognizes the theory that exceptions may arise, but goes on to state with respect to the public interest:

"We have not in the course of our inquiry



"come across any instance in which we were clearly satisfied that such practices were beneficial."

As for accumulation, we must ask to what purposes the accumulation of the individual firm is put. Where a firm uses its accumulation to achieve greater economies of production or management through growth in size or through the introduction of a new technology, and where these are reflected in either lower prices or higher quality, the public interest is well served. But continued accumulations by strong firms may be put to quite different uses. They may result in a growth of the firm beyond its best economic size. Or they may mean a reaching out for the production and control of markets for near substitutes, or even the development of economic empires through production of a host of unrelated products. Diseconomies of the scale of the firm may be successfully financed under such conditions if there is sufficient power, either over the actions of rivals, or over prices in the market.

II. The concept of workable competition and its implications for Canadian Combines Legislation require examination. The term "workable competition" appears to have been coined by Professor J.M.Clark, formerly of Columbia University. But the most recent American definition of the term is contained in the Report of the Attorney General's National Committee to Study the Antitrust Laws, filed with the Attorney General of the United States on March 31st, 1955.





Professor Clark was a member of this committee.

A portion of this definition reads as follows:

"The concept of 'workable' or 'effective' competition can perhaps be best described as the economists' attempt to identify the conditions which could provide appropriate leads for policy in assuring society the substance of the advantages which competition should provide .....

The basic characteristic of effective competition in the economic sense is that no one seller or group of sellers acting in concert, has the power to choose its own level of profits by giving less and charging more ..... To bring this result about, it is necessary that rivals be free in fact to compete by lower prices and better service or products and selling activities, if they can achieve low enough costs to enable them to do so; and that no seller have power to limit this freedom of his rivals, and thus escape the pressures and penalties which effective competition imposes."

It is clear that the emphasis in the current American definition of this concept is on the maintenance, or achievement, of market structures which favour passing on to the general public the benefits which emerge from technical change. But



the norms for judgment are not easily achieved and we shall return to this subject in Section III.

Professor Clark himself clarified the nature of the concept of "workable" competition more explicitly in an addendum to the paper which he presented at the Round Tables on monopoly at the Conference of the International Economic Association, held in France in September, 1951. About impressions gained at the conference he had the following to say, quoting Professor Clark in his paper "Competition and the Objectives of Government Policy", Monopoly and Competition and their Regulation:

"The papers and discussions have strengthened the present writer in his belief in the need for distinguishing two types of factors nowadays lumped under the head of 'monopoly': namely restrictive practices on the one hand, and on the other ..... departures from 'perfect competition', including temporary differential advantages which are open to competitive neutralization and which are inseparable from the processes of progress. These appear to have opposite effects on the ends which competition is generally desired to serve."

We have not the trust which Professor Clark has in the character of temporary differential advantages. In situations of oligopoly, even in the absence of restrictive practices, they and their "neutralization" may be cost-increasing without any





compensating improvements in the functioning of the products. But it must be pointed out that Professor Clark seems sure that restrictive practices do in fact defeat the proper ends of competition and in Canada this is the area to which our Combines administration addresses itself most clearly and to the greatest effect.

In addition to the contention that there may lie behind collusive agreements "a vigorous competitive reality", concerning which we have already expressed our skepticism, another argument is sometimes advanced. This is the argument that such agreements may have form without content. Even if the agreements were not there, we are told, prices and outputs would be no different -- or very little different. This is a very well-known part of the theory of oligopoly and we do not quarrel with it. But we would challenge any implication that investigation by the Combines administration is necessarily useless here, even in the more difficult cases where no overt agreements exist. This challenge may be supported by many findings, one of which may be cited. In a recent investigation of the rubber tire industry, the British Monopolies Commission accepted the evidence of the manufacturers that there was no agreement among them respecting prices. But the Commissioners did not feel that the power of the State to act in the general interest was contravened under these circumstances. The London Economist reports the Commission's findings as follows, quoting from the Economist of December 17, 1955:





"All the nine members of the Commission signing this report agree that the trade associations' consultations, collections of costings, and recommendations on prices are against the public interest and should be abolished; though there might not be much price competition if these arrangements were abandoned, they feel, 'it is certain that with them there will be less and the incentive to the higher-cost producers to improve their efficiency will be less.'"

That last is a direct quotation from the report --

"it is certain that with them there will be less and the incentive to the higher-cost producers to improve their efficiency will be less."

"Five of the nine feel this is not enough.

If it is unlikely that manufacturers will compete by setting different resale prices, they think price competition should be introduced at the distributive level: manufacturers should no longer be allowed to make retail prices in any way binding on any subsequent seller of the tyres."

Combines legislation in Canada clearly empowers the Combines administration to deal with such cases. Moreover, in Canada the nature of the amendment respecting resale price maintenance passed in 1951 confers powers which enable the administration to bring remedies to bear at the retail level and this increases the power of the administration to deal with



tacit agreements by this method. We believe this to be good legislation and note the reference in the British report to lack of incentive to improve efficiency under such situations.

III. It has been argued by some modern economists, notably Schumpeter, that monopoly may be "an engine of progress" in that it favours not only innovation but investment. We consider in this section the theory of economic development implicit in this argument and the adequacy of current empirical and theoretical studies as tests for the argument.

We agree that the monopoly or near-monopoly has large advantages in the acquisition of capital funds. These advantages arise on the one hand from the size of its profits and on the other hand from advantages in the flotation of securities at low rates of cost to itself. But institutions are not immutable. The Industrial Development Bank is one Canadian institution already created to improve the access of small business to capital markets. And in a recent brief presented to this Commission the President of the Bank of Montreal proposed other possible ways of offsetting to some degree the barriers which at present hamper small business units in their access to new capital. Moreover, we show at a later stage that the very flexibility of the small business unit may enable it to adapt itself to new technologies and changed market situations with a swiftness which quite outpaces the ability of large-scale enterprises with immense aggregations of fixed capital.





The essential problems of growth in an economic society may be not only those of the rates of accumulation and innovation but also the problem of balance between different sectors of the economy. That is, the real question may be, not the average (short-run or long-run) degree of competitiveness in the system but rather the differing degrees of price competition in different parts of the system. The enlargement of such differences may lead to increasing inequities in the distribution of income and in the acquisition of property rights.

If the State, having created the legal framework within which the great corporation exists, connives at the accumulation of monopoly or oligopoly profits as a means of promoting innovation and accumulation generally, there is a danger that it may create conditions which threaten its own life. On the one hand it invites organization by other groups which increase the likelihood of social conflicts. On the other hand, it promotes the development in the more competitive sectors of the economy of organizations which have a monopolistic character in their turn. As an example the intellectual and political defences of the present American farm price support programmes take two forms. In one form the programme is represented as a requirement to offset the monopolistic character of labour and business. I might add parenthetically that that is Karl Marx's theory or argument on countervailing power. In another the defence of the programme adopts the Schumpeter



argument and uses it against itself to urge that the price-support programme, which certainly contains monopolistic elements, increases investment in agriculture. The farm surpluses in the United States and their effects on Canadian and other competitors in world markets are too well known to require comment here.

The long-run implications of the idea that monopoly may be an engine of progress are not lost upon certain of its originators. For Schumpeter, the final outcome of innovation and accumulation through the hegemony of the large firm is the automatization of progress and the obsolescence of the entrepreneurial function. The resemblances of his theory of economic development to Marxist ideology are plain. According to Karl Marx, the transformation of private property into "capitalist private property" through the same type of concentration in the hands of the few would bring into being the first phases of communism, with entrepreneurs transformed into hired managers. That is the sum and substance of Chapter 32 of the first volume of Marx's Capital: A Critique of Political Economy. The London Economist recently issued a strikingly similar warning against the probable course of present events in its issue of November 12 - "Unless private industry can shake itself clear of the accusation of restriction and monopoly". Karl Marx's predictions respecting the course of economic development have proved wrong in almost every other respect. We feel that it would be





a pity to make this aspect of his predictions come true by rushing from the embraces of out-dated static economic theories into the arms of others not yet established, to the danger of the State itself.

Such evidence as we have suggests that the new theories have not as yet respectable bases, either empirical or theoretical. Their bases are mainly ideological. A number of industry studies exist. But Professor J. S. Bain has had this to say about "the general character of the findings of various sorts of empirical studies in the price policy field". This is "Pricing and Production Policies", A survey of Contemporary Economics:

"In spite of the aggregate resultant contribution, our empirical knowledge of price-making, its origins, and its results, is still very fragmentary. We have accumulated a general knowledge of market structures; a few suggestive but inconclusive measures of demand and cost curves; a detailed analysis of pricing and competition in a few industries and a cursory survey of the same thing in a number of others; much undeveloped material on competitive behavior and tactics; a detailed analysis of price rigidity. Although the results of intensive individual studies are rich in suggestions, they are as yet too few, and their purposes are insufficiently unanimous, to permit much in the way of real comparative analysis, classification, or





"generalization."

Professor M. Abramovitz, writing four years later, after examining the comparative efficacy of orthodox economic theory and the Clark-Schumpeter theory dealing with the relation of monopoly to investment and capital formation, concludes,

"To grapple with these questions in a realistic way evidently will require empirical work of a more penetrating sort than we have yet seen".

That was in 1952.

Any empirical investigation which would be of value in reaching conclusions on such important policy changes would find it necessary to establish control groups. Agriculture, probably the most competitive of all industries in Canada at the present time, affords important evidence bearing on the speed of adjustment through investment and innovation in an industry characterized by small business units.

There has been a virtual revolution in the internal organization of Canadian agriculture within the past decade. The industry has made impressive gains in productivity as a result of the introduction of new and better production techniques. Many of these innovations economize labour, which is our scarcest resource. The decline in the farm labour force from 1939 to 1946 may be looked upon as a delayed adjustment to the concealed unemployment that had accumulated during the thirties, but the decline of 30 percent that occurred in the ten years



from 1946 to 1955 was very largely the result of labour-saving innovations. A recent study of the rise in physical productivity per man-year in major Canadian industries shows a much more impressive productivity gain in agriculture than in manufacturing.

I should like to draw the attention of the Commission -- I don't want to go through it -- to the table in footnote 21 which incorporates the statistics from Professor Pentland's report on "Physical Productivity in Canada, 1935-52", taken from The Economic Journal in 1954. The author of the study concludes that his "series support the view that agriculture has played a leading role in Canadian productivity gains".

The legislation, that is the British legislation which is now before the House of Commons on the Restrictive Trade Practices Bill, Bill 99, calls for the registration of all restrictive trade agreements and for the establishment of a Restrictive Practices Court to conduct investigations into them. According to a Board of Trade memorandum quoted by the London Economist in its issue of February 25, 1956, "'all the known restrictive practices' will have to be justified before the new Restrictive Practices Court .....with quoting the bill 'the onus of showing that they are in the public interest resting with those who wish to continue them.'" The Economist indicates its belief that "the Bill could fail in its liberal intention and indeed leave the attack upon restrictive practices even more halting than at present,





if care is not taken to steer the new system clear of certain obvious rocks." In particular it asks for an amendment outlawing individual resale price maintenance agreements as the probable "principal escape warrens from the spirit of the Bill" and also that the objective of the President of the Board of Trade, "namely .... to step up the tempo of attack upon restrictions, not to diminish it" -- that was Mr. Thornycroft's statement -- should be incorporated in some manner in the Bill. The Bill has not yet reached the committee stage and it is possible that amendments may still be made.

The hope of the Bill's sponsors appears to be that in time the court, that is the Restrictive Trade Practices, of course, envisaged by this legislation, will evolve principles which can be applied without detailed inquiry in each case. But the evaluation of such principles may be a slow process in view of the great number of agreements which will be registered and which must be scrutinized by the Court and in view also of the great variety of circumstances which may surround individual cases.

The system envisaged by the Bill is clearly not the one recommended by the Monopolies Commission in its Report of June 1955. That Report held that:

"further individual review of the agreements  
..... could only be of any value in  
exceptional cases, for the great majority  
of arguments would be found not to be in



"the public interest."

The Commission believed this procedure would be "cumbersome, slow and unfair" and stated its own view in the following words:

"A general prohibition ..." - that is the general prohibition on collusive agreements -- "... would give industry clear and unequivocal guidance as to the Government's policy, and would avoid the uncertainty and waste involved in detailed inquiries in each individual case ..... Such a general prohibition would certainly be a new departure in this country; though to some it might appear drastic, it would be less far-reaching than the legislation already enforced in some other countries."

That is a quotation from the report of Collective Discrimination at page 86.

The British economy, in spite of present problems concerning reconstruction and inflation, is a mature economy exhibiting a relatively slow rate of growth and with well-established market structures. Whether or not the new British approach to the problem of combines will be successful even under such conditions remains to be seen. We suggest that an economy like the Canadian with a high growth potential has special characteristics which make our present Combines legislation and its enforcement matters of vital importance. Rapid change could make case studies of the projected British type obsolete long before





sufficient material could be accumulated to develop any proper criteria for judgment. Moreover, while we were attempting to find such criteria, an increasing concentration of control over capital assets and national income by the few could mean increasing problems for fiscal and monetary management in a society whose avowed social aims include both full employment and political democracy.

For the reasons given throughout this brief, we are firmly of the opinion that any weakening of Canadian Combines legislation or its present administration would be against the public interest.

IV. The above sections present reasons for the retention of a strong Combines administration and against any dilution of the spirit in which our Combines legislation has been applied. This section is a short note of protest.

A sentimentality apparent in certain newspapers and in other quarters has no place in an objective consideration of the relationship of persons, real or corporate, to the legal framework of Canadian society. A loose emotionality is no substitute for clear thinking on such subjects. The "decent, non-wife-beating citizen", with "a sincere desire to conduct his business in the public interest" and haunted by the "Combines cops", who peers out at us from the front page of the Financial Post, may be a pathetic figure. But he has no relevance for problems of administration under the law. The Criminal Code of Canada is built on social codes and not on private





morals or on private interpretations of the public interest. It is not only the thief who goes to jail. The Sons of Freedom parading in the nude under the excitement of moral fervour land there too. The Combines legislation is part of the Criminal Code of Canada and it is difficult to see why business units should be handled more tenderly under it than individuals who may be suspected of violations and who must undergo the processes of the law. The corporation lives within an institutional framework enacted by the State and has been endowed by the State with special privileges. The State is responsible for its supervision. Its major concern must be to prevent oligopoly from becoming monopoly.

All of which is respectfully submitted.

THE CHAIRMAN: Thank you very much, Dr. Britnell. Dr. Stewart, have you any questions you would like to ask?

MR. STEWART: One or two, I think.

Under (I) on the first page:

"Economic organization in the Twentieth Century has been characterized by trends toward increasing size in the business unit and towards concentration of economic power."

Have you any evidence that this process has been going on in Canada recently?

DR. BRITNELL: I canvassed that possibility of accumulating evidence. We started out with the table which Professor Reynolds included on page 5



of his book "The Control of Competition in Canada" and that table is a very interesting table, as you know, I am sure, of the control of output of selected industries in Canada in the middle of the 1930's.

We were quite unable -- we have not the best university library  
/in the country although we have a good inter-library loan system -- we have not any further evidence compressed into a table but going by our joint endeavours to keep pace with what has been going on in the Canadian economy by reading the Financial Post each week, for say, the last ten years, certainly when you see the building up of some of these conglomerate empires such as those of E.P.Taylor and Mr. Garfield Weston to mention two, there seems to be some foundation that the process Professor Reynolds describes as applicable in the first part of this Century and which suffered a temporary set-back for perhaps 15 years from the beginning of the 1930's to the end of the War, has certainly picked up in the last ten.

MR. STEWART: You would take it that the rising standard of living in the last decade, which is an unusually rapid rate was caused by these factors or is E.P.Taylor a product of that period? Which is cause and which is effect?

THE CHAIRMAN: Let us get the emotion out of it.

DR. BRITNELL: I would not dare go back if I left the idea that E.P.Taylor caused it but I think we have given full credit here to the contribution which the entrepreneur has made in some of these gains.





However, I would not like to be certain that he has been responsible for all this gain. He has been part of them.

THE CHAIRMAN: Technical innovation is an important factor?

DR. BRITNELL: Yes.

THE CHAIRMAN: You go on to say that agriculture is the most competitive of all industries. Can you describe agriculture as being a competitive industry?

DR. BRITNELL: We have a Canadian Wheat Board which is, I presume, what you are thinking about, Mr. Commissioner.

But that Canadian Wheat Board takes over only after some 250,000 freely competing farmers, competing at the level of production have done their bit to produce wheat in sufficient quantities as perhaps to embarrass the Wheat Board in trying to sell it. When the Wheat Board moves outside of the country it is immediately faced with a highly competitive situation as any one of the Commissioners on the Wheat Board would bear out, and even the Minister of Trade and Commerce as there are few elements of the sort relating to monopoly that can be discerned in what is essentially a wheat gathering and wheat selling institution but it is not reflected in the prices which the consumer pays in Canada.

MR. STEWART: Subsequently in the brief you seem to develop the argument that the very rapid increase in productivity in Agriculture is because it



is a small unit industry?

DR. BRITNELL: I am not sure that we mean to carry the implication as far as that. I think perhaps we construed it in a sense as on the ground that you didn't have to have monopoly to have technological innovations and decrease in deficiency, that here curiously enough and with all due deference to Schumpeter, Clark et al, here is an industry which is extremely competitive which shows all these things which Schumpeter would seem to think would flow from monopoly.

MR. STEWART: However, it is true that in the case of agriculture, most of the innovations -- I want to be careful not to use the wrong words here -- that the new techniques have been developed outside of the farmers -- the government has developed the techniques or industry related to agriculture has developed the techniques?

DR. BRITNELL: That is true in universities too. I don't think we need to be modest about that because we have helped in this process of rust-resistant wheat and various other things of that nature but the stimulus was there in the farmers' unions who took hold of these techniques and used them at the first opportunity.

MR. STEWART: It would be true that there is a movement towards collectivism outside of the industrial field. I presume that labour organizations today represent a very high measure of collectivism. Is there not another possible argument that there are





certain gains from collectivist organizations and similarly in labour as there might be to entrepreneurs in industry and that the support for this arises from the same fundamental attitude?

DR. BRITNELL: Yes, I think I would be prepared to go that far.

MR. STEWART: Now, in the light of this do we conclude from the fact that we support labour unions -- and we support at least more hesitantly perhaps collectivism in agriculture -- that some gains to the general interest can be achieved by collective action?

DR. BRITNELL: I think perhaps those gains are largely in the sense of enabling the farmer to come some distance towards the position achieved through other elements, who have a substantial advantage over him through having carried their collectivization much farther -- back again perhaps to Galbraith's theory of concentration of power.

MR. STEWART: There have been periods during which we have extended collectivist arrangements but other industries apparently in the general interest code legislation?

DR. BRITNELL: Yes

MR. STEWART: Does this not raise a question as to whether with the ends that people now want perhaps there should be gains from the collective action?

DR. BRITNELL: Yes

MR. STEWART: I am not quite sure what the British position is today. Can you describe it very





briefly to us?

DR. BRITNELL: Well, I have seen practically nothing of it except the reports in the last Economist and they are apparently setting up a Restrictive Trade Practices Court which would not go nearly as far as our legislation but which does move in what seems to be the general direction of the Canadian law with the great exception that they have an alternative under certain circumstances under which they can simply file what they are going to do with the court, that is, a particular farmer or group of farmers and then in the fullness of time the court will decide whether the public interest is served or otherwise by the proposed arrangement, I should say.

MR. GUSHUE: I thought it was rather that the court would call upon them to defend and to show that the proposal was in the public interest from your page 15. I understand they can file and then be called upon to show cause.

MR. STEWART: That is to say, they don't prohibit collusion but where there is collusion they investigate.

DR. BRITNELL: As set out at the top of page 15:

"All the known restrictive practices will have to be justified before the new Restrictive Practices Court."

MR. GUSHUE: Yes:

"-- with the onus of showing that they are in the public interest resting with those



"who wish to continue them."

I was going to say they would be called upon to show cause.

DR. BRITNELL: That is right, yes, but perhaps I said it the other way around.

MR. GUSHUE: I think you did in answer to Dr. Stewart.

MR. STEWART: Is it possible, do you think, to determine from the structure of an industry whether it is likely to develop the kind of collective action which would be detrimental to public interest or is that not a satisfactory criterion?

DR. BRITNELL: I should think it is extremely difficult. I should think that a Combines administration with a good deal of experience could, in some cases at least, reach a fairly shrewd conclusion on it. In other cases they might make mistakes. However, I cannot imagine any Combines administration which we might have in Canada that would be likely to cut on a limb so far as to make many mistakes in that connection. I would be prepared to trust that they would err the other way.

MR. STEWART: The practical implication of this question to me is that if there is not, then apparently we have to keep our eyes on and be investigating all industries. It seems to be a massive job of supervision.

DR. BRITNELL: Well, I think there are a great many that are in no great danger and the focus might shift from time to time as it seemed expedient





to the Combines administration. It is a big job and I suspect it is an increasingly large one. I should not want to minimize it.

MR. STEWART: Do you like the principle of waiting for someone to complain?

DR. BRITNELL: I don't see any great objection. Every private citizen in all his actions runs that risk at any time.

MR. STEWART: How far is mere public knowledge an adequate protection to expose what is being done?

DR. BRITNELL: I think it has had some efficacy in the past. I think that was, of course, the keen tradition behind the whole of the earlier Combines legislation. I suspect it is of decreasing value and that some punitive measures are necessary to ensure correction.

MR. GUSHUE: I suppose that the criterion really is the public interest?

DR. BRITNELL: Very definitely.

MR. GUSHUE: It is not a question of size; it is a question of acts. You might have a small combination that could be just as detrimental as a large one but isn't the danger that the emphasis is being put upon size merely as size now, that size is suspect, the size of the organization, corporations, enterprises and so on?

DR. BRITNELL: I expect that is true but I would be inclined quite justifiably to say that there is very much less danger as a rule in the smaller type



of organization unless it is the very small industry and has something very significant, something very important, something integral to Canadian standards of living or to technology that it produces. It is more likely to be the larger firms that are the aggressors.

MR. GUSHUE: Why would you say that?

DR. BRITNELL: Well, I find it difficult to conceive of the type of small industry that would make it possible.

When I look over, for instance, this list in Reynolds -- automobiles, agricultural implements, cement, copper, canning, cotton, yarn and cloth, structural equipment, fruit, lead, meat packing, milk, oil, rubber, footwear, silks real and artificial, sugar, tobacco and zinc, these are large industries that are characterized by large corporate enterprises in every case and a rather forbidding number of those particular industries have done things which merited some looking into, shall we say.

MR. GUSHUE: Would part of the criteria then be the number of people affected by the combines?

DR. BRITNELL: Yes, certainly, when you are thinking of the larger public interest, how it affects the 16 million.

MR. GUSHUE: You would not think of the public interest of people in a small village?

DR. BRITNELL: Yes, that could be very important.

MR. GUSHUE: Well then you could have a





small combine that is just as reprehensible as a large one?

DR. BRITNELL: Yes.

MR. GUSHUE: I might be wrong but I gathered from reading on page 17 that it was rather an attack on size rather than taking the public interest into account. You say:

"Rapid change could make case studies of the projected British type obsolete long before sufficient material could be accumulated to develop any proper criteria for judgment. Moreover, while we were attempting to find such criteria, an increasing concentration of control over capital assets and national income by the few could mean increasing problems for fiscal and monetary management ...."

and so on. Well, you conceivably have a great measure of control over industrial and national income and where it must necessarily be, such as the development of the iron industry, pulp and paper. Would you expect these things because they are large?

DR. BRITNELL: Oh, no.

MR. GUSHUE: Perhaps I read it wrong.

DR. BRITNELL: I would like some further evidence. I would like those industries to stop a little short, though, of reaching out in all directions to build up conglomerate empires. I would like to start, in other words, a little sort of packages limited in Mr. George Bernard Shaw's play the Applecart.





MR. GUSHUE: But you would not abandon the criterion of public interest?

DR. BRITNELL: No.

MR. GUSHUE: And I suppose where that can be shown the old English expression was "a combination in restraint of trade"?

DR. BRITNELL: Yes. I think -- and my colleagues with me -- that Canadian legislation is so much better than much of the American legislation which has been anti-trust and trust busting legislation.

MR. GUSHUE: I don't think we have had complaints about the legislation. It has been about the way it was administered.

DR. BRITNELL: If they had been on the other side of the border .....

THE CHAIRMAN: I was just going to say, Dr. Britnell, that from time to time we have pointed out that while the terms are pretty broad, presumably there are limits to what we are expected to do and I suspect that an examination of the detailed administration of this particular legislation is something that perhaps we might leave to others.

As you mentioned, the subject has come up, however, from time to time during our hearings and views seem to differ somewhat. I think it is fair to say that the opinions that have been expressed have not been entirely unanimous and there is only one question that I would like to ask, and that is, would you say that the layman in this general field of economic theory is entitled to conclude that all



economists, certainly all Canadian economists, no matter how eminent do not necessarily agree on all subjects?

DR. BRITNELL: Yes, Mr. Chairman, we have some evidence to indicate that.

THE CHAIRMAN: I don't want to pursue the question any further.

DR. BRITNELL: In fact I may be so bold as to say that we were rather anxious that the conclusion would not be taken by the Commission that all Canadian economists with the exception of those on the Commission, but outside the Commission, held the same views.

THE CHAIRMAN: I was not restricting my question to this particular subject.

DR. BRITNELL: But, sir, may I just add one point there that you, yourself, suggest, and I say this in all seriousness, that it is extremely regrettable that we have to go back to the price spreads report in our Royal Commission at this stage to collect any information because that is where Professor Reynolds got his information on the concentration of industry and that I would, with due deference and proper humility, like to suggest is not, it appears quite obvious, on Canada's future economic prospects, a proper research for the research section of this Commission.

THE CHAIRMAN: Thank you for the suggestion. Thank you very much, and thank you Dr. Fowke.

MR. GUSHUE: I was just going to add





the observation that it is quite obvious Canadian economists do not preach the Combines legislation.

(At 5.30 P.M. the Commission adjourned until 9.30 A.M.,  
Friday, 9th March, 1956)



ROYAL COMMISSION  
ON  
CANADA'S ECONOMIC PROSPECTS

HEARINGS

HELD AT

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OTTAWA, ONTARIO,  
Friday, 9th March, 1956

APPEARANCES:

Mr. Trepanier, President,  
Chamber of Commerce of the  
District of Baie Comeau,  
Mr. T. B. Fraser,  
Mr. Gerardin,  
Mr. Theriault, Chamber of  
Commerce of Rimouski,  
Mr. Rouleau, Past-President,  
Chamber of Commerce of Baie Comeau.

Mr. Albert Faucher, Laval University,  
Mr. J. B. Lebel, Chief Commissioner,  
Committee on Industrial Development  
for the Federation of Abitibi  
Chambers of Commerce

Council of Profit Sharing Industries,  
Mr. H. V. Lush, Chairman of Council  
and President, Supreme Aluminum  
Industries Limited,  
Mr. L. Messinger, Canadian Line Materials,  
Mr. W.D.Welsford, William M. Mercer,  
Mr. L.M. Nicholson, Nicholson Lumber Co.,  
Mr. Gordon Coulter, Comco Stampings Ltd.,  
Mr. Jack Kelleway, Pitney-Bowes of Canada,  
Mr. M.N. Vuchnick, Lincoln Electric of  
Canada.,  
Mr. D.M. Verity, Dominion Foundries & Steel.

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THE CHAIRMAN: Well, we will come to order. Mr. Fraser, we are delighted to welcome you and your associates to these proceedings and to have the Commission from the Chamber of Commerce of the District of Baie Comeau. We will mark your brief Exhibit 264. As I said, we have been hearing a fair amount about this part of the country and its great potentialities, so don't be too modest or you will get into trouble.

MR. FRASER: We have our president here, Mr. Trepanier of the Chamber of Commerce and he will introduce the others.





MR. TREPANIER: We thank you very much for the opportunity you have given us to present a brief to your Commission. This is a brief concerning navigation from the Atlantic to the Saguenay and in and around the area in the lower St. Lawrence region.

I have with me a representative from the Chamber of Rimouski, Mr. Gerardin, who is with another of his Chamber, Mr. Theriault, who is Industrial Commissioner. I have also Mr. Rouleau who is the first president of our Chamber and also Mr. Fraser, an honorary member of our Chamber.

I will ask Mr. Fraser to read our presentation.

Thank you.

MR. FRASER: I would like to read what we think is important because not many people know about the North Shore and we would like to tell about it. We will leave out some of the tables. I will read it without delay.

It is a privilege to appear before this distinguished body charged with the study of Canada's economic prospects. The very presence of your Commission demonstrates the government's practical interest in our future and is an encouragement to industry, labour and capital. Canada's economic prospects for the future depend, to a great extent, upon the policies of our governments as to taxation and tariffs and the opening up of hitherto undeveloped areas of great natural resources with adequate transportation, a basic function of our governments.



In our statement we have endeavoured to be simple and informative. Our brief is concerned particularly with the urgent need for improved transportation facilities for a huge northeastern section of our country whose tremendous natural resources are being discovered and developed on a scale hitherto unheard of in this great Dominion. Our country is locally known as the "North Shore", and is the gateway to Ungava and Labrador as well as being one of the lintel posts to Canada's eastern entrance through the mighty St. Lawrence. It was discovered and explored nearly a thousand years ago by the Norsemen. We have the beginnings of written history in North America and on our shores was born the first European child on this continent. These intrepid Norsemen came in ships which still provide our chief means of transport in and out of the region, but only with any certainty from May to November.

For hundreds of years our neglected shores were visited only by European and later New England fishermen, an occasional explorer, missionary or grand seigneur. The only permanent settlements were the trading posts of the fur companies. But times have changed. In place of the packs of furs and barrels of salt fish we now produce annually millions of tons of raw and manufactured products which must find an outlet to the high seas or to railhead without interruption twelve months in the year. A billion dollars of industrial development cannot operate efficiently in a competitive and modern world with





eight months of navigation and no railway. This state of hibernation belongs to the past. We submit that nowhere in our Dominion today is improved transportation more warranted to develop Canada's economic prospects than on the Lower St. Lawrence, the Baltic of Canada.

The recent penetration, without fanfare, of our vast eastern hinterland by private air and rail ventures at enormous expenses and unparalleled private enterprise, the improvements in forestry operations, the pulp and paper development followed by gigantic mining operations, hydro-electric developments and presently new smelting and metallurgical projects, make all-year navigation imperative. Our progressive new industries have proven, and at this very time are proving at their own expense, that winter navigation, local and to the ocean, in the Gulf and the Lower St. Lawrence, is feasible. In a competitive world it is indispensable and urgent. For the adequate defense of our whole country year around navigation in the Lower St. Lawrence, we believe, is essential. Can we conceive today of supply for either peace or modern warfare in Scandinavia and Western Europe with the Baltic and the Rhine closed to navigation during winter months?

#### Population and Industry Centres

We represent an isolated, hard working and rapidly growing bilingual population of 43,000, chiefly maintained by a dozen large sound industrial corporations which have invested \$900 million in the



central districts shown below and located along the North Shore of the St. Lawrence River between Tadoussac, at the mouth of the Saguenay, and Blanc Sablon, at the western entrance of the straits of Belle-Isle. There are as many or more people along the South Shore of the St. Lawrence whose livelihood could also be affected by the results of these hearings. We do have increasing agricultural development along the St. Lawrence in the western section and fishing is the chief industry in the far eastern region. Our county of Saguenay, which includes the large and military strategic Island of Anticosti, is some 700 statute miles in length with an irregular depth of 125 miles. All of the developments in New Quebec, Labrador and Ungava now in production, have found their outlet on the North Shore for economic reasons, but fully anticipating that a progressive government will be bound to recognize their growing importance and make possible year round transportation. Further proposed large scale mineral and power developments contemplate the North Shore as their outlet, and these projects are based upon year around navigation. It is not presumptuous to submit to you today that approximately one-tenth of Canada is, or is likely to be tributary to our harbours and that firm hydro-electric power totalling 10 million to 12 million H.P. will be developed along the North Shore and in the interior of the Labrador Peninsula in the not too distant future. At the present time only 230,000 H.P. has been developed, however, an additional 2 million h.p. are under construction or committed for





construction. An additional 5 million h.p. have been engineered. While some of this engineered power is in the Newfoundland Labrador, there is every indication that it will be used for industry to be located on the North Shore.

Then follows a population table which we will not read, showing the population and industry of each of the centres.

### Forestry Operations

Forestry operations, originally small saw-mills, later pulpwood operations and finally pulp and paper manufacture, have provided the principal revenue producing employment in the central part of Saguenay County since the turn of the century. Today our county produces 950,000 to one million cords (128 cubic feet) of pulpwood annually, to help supply the increasing needs of Canada's great pulp and paper industry. This represents 14 percent of the pulpwood produced in the Province of Quebec, and 8 percent of the total pulpwood used in Canada East of the Rockies. About 30 percent of our wood is processed on the North Shore, 50 percent elsewhere in the Province of Quebec, 15 percent in Ontario and about 4 percent in the United States. The woods payroll on this large cut of 85 million cubic feet and equivalent in weight to 2,200,000 tons of wood, is \$22,553,000.

The excellent black spruce of the North Shore is slow growing but provides the highest yield wood of any district in Canada. Cuts are planned on a sustained yield basis and extensive fire fighting





organizations are maintained jointly by the Province and the operating companies. We should never lose sight of the fact that forests reproduce themselves whereas mineral deposits are forever depleted.

Barring major conflagrations, which have already destroyed a considerable area of forest on the central plateau of the Laurentian Shield, these operations can continue in perpetuity and even materially increase in certain areas. It is estimated that 40,000 square miles of forested area remain unleased in the county. Forest operations presently employ 2,000 permanent and 10,000 seasonal workers, most of the latter coming from the South Shore of the St. Lawrence River. It may be stated here that a very considerable amount of the wealth, prosperity and employment of the North Shore finds its way to the South Shore who supply both labour and materials for our forest operations. You can readily understand therefore the vital interest and support we have from our Sister Chambers of Commerce of the South Shore in presenting this brief.

#### Pulp and Paper

Some details concerning the pulp and paper mill operations at Baie Comeau and Clarke City, each of which have extensions under consideration, may be useful to the Commission. The contemplated extensions of course, can only proceed, if cost of production, distribution and market condition warrant and when such extensions will be sanctioned by our Provincial Government.

A collaborator in the preparation of this



brief recalls his visit to the first unit of the pulp mill in the pioneer industrial town of the North Shore, Clarke City. Across the Bay, Seven Islands consisted at that time of a small group of fishermen, trappers, loggers and Montagnais Indians. Near the Clarke City wharf a Norwegian whale factory greeted us with a savory welcome. From the wharf we proceeded to the mill on a 12-mile railway, the first steel east of Quebec City. In 1920 the pulp mill was purchased by English capital and is now controlled by the Imperial Paper Mills Limited. This is part of the report of their general manager to our Chamber dated January 20, 1956, after 50 years' operation of the first permanent manufacturing plant on the coast.

"Due to the geographical situation of Clarke City wharf in the Bay of Seven Islands, it has been impossible to make any shipments from early December until early May. Between that time the wharf cannot be used by any vessel due to ice conditions. The ice field blocking the wharf is sometimes not more than half a mile to one mile. This condition during the winter obliges the Company to get in early December at the latest, all the necessary supplies and materials needed for its operation during that season. This inventory plus the tie-up of the manufactured product results in the carrying of huge inventories amounting to approximately \$1,250,000 during





"a four and a half to five month period. With over 100,000 tons of pulp to ship yearly the shipping season is too short for our needs. An extension of open water time by the use of an ice-breaker when required would benefit many of our employees who then could work a full year instead of seven to eight months. We believe that it is of National interest that the North Shore and South Shore ports be kept open for traffic in winter time, and by past experience, it is well known that with a regular ice-breaker service this could be done without any doubt."

Since that time there have been two cargoes shipped out.

The record of North Shore stubborn progress, in spite of neglect and the tendency of ships, capital and people to turn westward to the year around open waters of the Pacific coast, brings us back to April 13, 1936, when Colonel Robert R. McCormick, a friend and benefactor of the people of the North Shore, launched the construction of the most modern two machine paper mill at Baie Comeau. He had already pioneered pulp wood plants at Franquelin and Shelter Bay after World War I and had constructed a power dam on the Outardes River in readiness for the paper mill operation back in 1929. The faith of this enterprising man in developing the North Shore coupled with his tenacity and success in developing the above mentioned projects,



have encouraged others and contributed considerably to our state of progress today. Carved out of the virgin forest and the solid Laurentian granite hills only 20 years ago, Baie Comeau is now a thriving town of 4,225 people, sustained by the operation of two of the fastest newsprint machines in the world, whose yearly output stands at 165,000 tons and is increasing steadily. Two hydro-electric plants developing 160,000 h.p. have been constructed on the Manicouagan and Outardes rivers by the Quebec North Shore Paper Company to supply power for this mill and for surrounding rural consumption. Temporarily, power is being supplied by submarine cable to industry on the South Shore from the Manicouagan plant. On account of the restricted length of the navigation period, and navigation being the sole avenue of transport, it was necessary for year around paper mill operation to construct a 15 million cubic foot storage building in which to store the product during the winter months. The newsprint, sulphite and groundwood pulp stored represents a value of \$5,700,000, a heavy and unnecessary burden on top of other winter inventories of \$3,925,000. "It is evident" said their manager, "If we had year round navigation these abnormal inventories would disappear".

We cannot speak on behalf of this progressive organization, but it does not require much figuring to realize that the expense of winter storage and inventories of this particular company would by now represent the cost, or a good part of it, of an additional paper machine in Baie Comeau, producing





85,000 tons of newsprint annually and distributing an additional \$3,500,000 in wages, plus fees, taxes and employment for many hundreds of workers from the North and South Shore. However, we note that most of the new paper machine installations to take care of the urgent increasing demand for newsprint are taking place in the Southern States, where paper companies profit by navigation the year around and adequate road, rail and air facilities.

As we proceed, it will become more and more evident that, at present, only strong, vigorous and resourceful companies can operate and expand in this region because in the main they must create the facilities and amenities for operation and be prepared to meet every possible contingency on land, sea or air. For example, the Quebec North Shore Paper built its three airports, its three wharves, its roads and railway connection mill to wharf. Baie Comeau airport has since been paved by Department of Transport and now is operated by the town. The Department of Public Works has recently acquired the Baie Comeau wharf from the company and is now collecting wharfage dues. This paper company through a subsidiary, the Quebec and Ontario Transportation Company Limited, operates seven canal type vessels to carry its products from Baie Comeau and two adjoining ports to centres on the Great Lakes. They also own and operate four large lake type ships which one might expect to see from time to time in the lower St. Lawrence waters after the St. Lawrence Seaway is completed.





### New Aluminium Industry

Attracted by the great power potentiality of the Manicouagan River and the proximity of Baie Comeau deep water harbour to the Atlantic for ocean shipping, British Aluminium Limited decided late last year to team up with the Quebec North Shore Paper Company using and extending its power on Manicouagan to produce Aluminium at Baie Comeau. Construction has started in accordance with plans to develop in four stages, each with an annual capacity of 40,000 tons. Stage I to produce in the spring of 1958; stage II in the fall of 1959; stage III in the fall of 1960 and stage IV by 1963 or later, for a total production of 160,000 tons annually. Inbound tonnage yearly of alumina, coke, pitch, etc., will total 225,000 tons, outbound aluminium ingots 160,000 tons.

From a freighting and employment standpoint, not overlooking the large capital investment of \$130 million, this new enterprise in which Quebec North Shore and its subsidiary Manicouagan Power play a vital part, will counter to a certain extent the occasional complaint that more of our raw materials should be processed on the spot.

Each stage of this development will require 120,000 h.p. Quebec Hydro are now building a \$10 million storage dam to enable Manicouagan Power Company to make an additional installation of 150,000 h.p. to its existing plant. Power for additional stages will come from Quebec Hydro developments on the Manicouagan, Outardes and Bersimis systems.



The only serious drawback to aluminium production at Baie Comeau we have heard of from representatives of the Canadian British Aluminium, is the present shipping tie-up over winter. Unless ice-breaker service is provided in the Lower St. Lawrence this company will be obliged to store 125,000 tons of raw materials and products over the winter months.

Our Chamber has reason to believe that year around navigation immediately and a railway to follow, will draw other large aluminium producers to our North Shore. The advent of Reynolds Metals Company to the Province at Cap-de-la-Madeleine and the investigation of Seven Islands area by Kaiser interests indicate that the present unprecedented expansion of the aluminium industry in Canada will, without doubt, bring further aluminium plants to our coast. R.E. Powell, president of the Aluminum Company of Canada, recently stated that Canada will be able to produce \$500 million worth of aluminium annually by 1960, and that the current demand for aluminium, like that for power, was greater than the supply. He also stated that in the past, aluminium production had always resulted in the development of water power resources. The North Shore and Labrador are rich in water power and it is reasonable to expect that some of this power will be developed for new reduction plants of aluminium and other metals.

#### Ilmenite Ore

About 130 miles beyond Sept Iles lies the older fishing settlement of Havre St-Pierre, now the





shipping port for what is stated to be the greatest known rich deposit of Ilmenite, recently brought into production at Lac Allard and served by the 27 mile company-owned railway of the Quebec Iron and Titanium Corporation. This company, a subsidiary of the Kennecott Copper Corporation of New York, constructed a new wharf, fast ore conveyor and loading plant facilities at Havre St-Pierre.

All the ore moves by water to its smelter on the St. Lawrence River adjacent to Sorel, the well known port, with extensive shipyards, at the mouth of the Richelieu River, the inland water route to New York. Recovery from the ore is reported to average 39 percent grey iron and 37 percent titanium. Only when a cheaper process is discovered for the production of the new wonder metal, metallic titanium, will this vast rich ore body come into its own.

Most of the titanium-rich slag has been shipped from Sorel to U.S. Atlantic ports. In 1955 300,000 tons of Ilmenite Ore were shipped from Havre St-Pierre to Sorel and in 1956, 650,000 are anticipated. In 1955, the 10,000 ton ore vessels made the round trip between Havre St-Pierre and Sorel in four days -- this movement indicates the comparative nearness to Canadian and U.S. markets of even the farthest east active port on the North Shore. At present the mine and in fact all the mines of the region, cease production about the middle of November which helps to swell the figures for unemployment during the winter months. All possible work, such as maintenance, stripping, etc., is carried



on during the winter to provide some employment.

### Iron Ore

"FOREIGN TRADE" of January 12, 1956, an attractive, useful fortnightly publication of the Department of Trade and Commerce, included amongst other informative articles one entitled "Iron Ore for United States Mills" with the following sub-heading:

"With steel plants absorbing more and more iron ore, and domestic supplies going down, the U.S. must rely increasingly on imports, Canada will become a major supplier, with forecast exports to the U.S. of 38 million tons a year by 1970-75", (the article credits this estimate to the United States Bureau of Mines).

Fortunately now for both Canada and the United States, fifty years ago a shortage of high-grade Iron Ore had been somewhat anticipated and it was known even at that time that abundant ore possibilities existed away north of the Gulf of St. Lawrence. Albert Peter Low, a Montreal born geologist, the iron man of Labrador in more ways than one, who later became Canadian Deputy Minister of Mines, traversed and studied some 7,100 long Labrador miles by canoe, boat, dog-sled and on foot. This brilliant explorer, who traversed Labrador from South to North and East to West in the years 1892-95, wrote in 1900 an article in the authoritative "Engineering Magazine" beginning as follows:

"The present high value of iron and steel,





"and the consequent activity in the search for and development of new sources of iron ore make this a fitting time to call attention to the iron-bearing deposits of the Labrador Peninsula".

But to this, Low added this prediction:

"It seems as if this area, along with many others, may long remain one of the undeveloped resources of the country" --

because there was no railroad, no fuel and no available power.

Unfortunate it was indeed that A.P. Low died just a few years too soon to hear the Honourable Lionel Chevrier tell, the Canadian Institute of Mining and Metallurgy at a recent meeting, the impact Low's discovery has today upon our whole country.

Mr. Chevrier said the iron ore industry can take credit "for swinging the balance in favour of an immediate start on the Seaway project. The course of events since the start of construction of the Seaway has greatly reinforced the position of those who believe it is a strategic necessity for the steel industries of Canada and the United States."

Gentlemen, does it seem reasonable to you that a giant undertaking, costing hundreds of millions, such as the Seaway should be hastened to take care of Labrador iron while the whole Lower St. Lawrence should remain closed during the winter months for lack of one or possible two ice-breakers?





We submit that government aid to Canada's economic development should at least be consistent.

Exploration continued by Canadian geologists, Bill James, Joe Retty; more and more iron deposits were discovered. Large mining concessions were obtained about 1936 in Quebec and Newfoundland -- Labrador and by 1950 more than 400 million tons have been proven of direct-shipping high grade iron ore. Iron Ore officials state that present reserves may be double this figure. In addition, low grade ores exist in quantity.

The ore was there - 320 air miles north of tidewater at Seven Islands, on the Gulf of St. Lawrence, 250 miles south of Ungava Bay and approximately half-way between Hudson Bay and the Atlantic. These great iron deposits reported by Low in the sub-arctic wilderness, as you can see from any geological map of the area, are found in the narrow yellow strip, approximately 225 miles long and 30 miles wide, referred to as the Labrador Trough.

The successful invasion in force of a wilderness, in either peace or war, requires careful preparation, strong allies and powerful backing, all of which was obtained under the experienced leadership of Jules R. Timmins (Montreal) of the Hollinger Consolidated Gold Mines Limited and George M. Humphrey (Cleveland) of the M.A.Hanna Company. The faith and courage of these two forceful men resulted in the formation of the Iron Ore Company of Canada with head office in Montreal, shipping point and southern terminal



of the railway at Seven Islands, Que.

The next paragraph gives a little spectacular description of the work. I won't read it.

From 1951 to 1955 inclusive, 558,000 short tons of equipment, supplies, explosives, etc., were landed on Sept Iles wharf and "rushed" north by every conceivable form of transport. In the first two or three years every man, machine and machine parts, were sent north by air.

A subsidiary airlift, the Hollinger & Ungava Transport, between Mont-Joli on the South Shore, Seven Islands and the end-of-steel, from October 1950 to December 1953, the heaviest construction period, carried 139,000 passengers and 171 million pounds of equipment and supplies, all with less than two dozen aircraft and with less than 100 courageous men. Their record -- not one single fatality. Figures for 1955 showed 19,000 passengers and 8 million pounds of freight carried on Company planes.

The first cargo of Labrador ore left the Port of Sept Iles July 31, 1954, destined for Philadelphia, thus opening a new era in Canadian mining history. In 1955, 7 million tons moved during the recognized season of navigation, slightly over one million up the lakes, with trans-shipment at Contrecoeur, 25 miles east of Montreal, and 6 million tons to U.S. North Atlantic ports. In 1956 the anticipated movement is 2 million westbound and 10 millions for Philadelphia, Baltimore and Europe.





THE CHAIRMAN: Excuse me for interrupting but if it would be easier to abbreviate this, we have read it.

MR. FRASER: Would you care to cut it down?

THE CHAIRMAN: Well, I think we have been over it. I know I have, and there are quite a number of questions we would like to have a chance to ask you.

MR. FRASER: Well, the next paragraph we just support what Mr. Durrell has already told you -- ships out of Seven Islands 1113 in one season. I would like to read our annual payroll.

#### Annual Payroll

Earlier in this statement the total annual payrolls of the 1955 Forestry operations were given: \$22,553,000. In addition to this the annual payrolls of the pulp and paper and present producing mines, will in 1956, amount to \$28,638,000. We have, gentlemen, already a total payroll of more than \$50 million on the North Shore. We have been unable to collect payroll figures for mining development and construction work presently under way or about to commence but, certainly, these figures would add many millions of dollars to this figure. We do not have comprehensive figures on the stumpage, ground rent, fire protection licenses, fees and royalties, freight charges, which provide much of the Provincial Revenue referred to in the recent budget speech, extracts of which follow later.

The water power is rather important. Possibly I should read that.



## Water Power

At the present time there are  $17\frac{1}{2}$  million h.p. of hydro-electric power developed in Canada. At least half of this is in the Province of Quebec.

There exists about 19 millions of potential water power available in the pre-Cambrian area surrounding Hudson Bay and including Labrador. If economical power transmission remains limited to about 400 miles, then it is inevitable that large power-using industries must establish in our North country where great quantities of cheap power can be made available.

Our technical journals dealing with present experimental atomic power plants tell us the cost of atomic power will be at least five times greater than hydro-electric power. I might qualify that by saying that is for the present plants under construction and I don't know what the future holds. It would appear that for some time to come the plans of large power-consuming industries, such as the aluminium industry, electric smelting of iron and titanium ores, are to base their expansion upon large blocks of hydro power available on the North Shore, Labrador, Hudson Bay area and the West coast. This is apparently the thinking also in our provincial governments who already operate their own power systems and are presently expanding them as rapidly as possible.

Let us enumerate some of the larger rivers on the North Shore and in Labrador together with their power potentials:

Bersimis

1,850,000 h.p.





Outardes	550,000 h.p.
Romaine	500,000 h.p.
Manicouagan	2,100,000 h.p.
Hamilton	4,000,000 h.p.
Kaniapiskau	3,000,000 h.p.
TOTAL	12,000,000 h.p.

In addition, there are of course many smaller rivers with possible developments.

Then, there is a programme for the development of this which shows on page 17 how the output will grow from Bersimis giving in 1956, 450,000 h.p. will grow in 1960 to 1,800,000 h.p. Those constructions are underway. The Manicouagan will go from 90,000 to 480,000 and Outardes will probably remain stationary and by 1970 we estimate that Bersimis will be delivering 1,850,000 h.p., Manicouagan 1,500,000 and Outardes 150,000 for a total of 3,500,000 h.p.

Using an average figure of \$150 per h.p., it may be calculated that over a period of seven years, 1954-1960, an investment of \$360 million will have been made in power developments on this system -- a continuous project of more than \$50 million annually. And after 1970? Well, there will still remain one million h.p. to develop on Manicouagan and Outardes. This should come in by 1981.

Now, where will the next large development take place which will bring power to the North Shore area? Possibly the Grand Falls on the Hamilton River, first discovered by John McLean in 1839 and recently





surveyed and engineered by Shawinigan Engineering for British Newfoundland Corporation. With a potential of 4 million h.p. this great Falls, twice the height of Niagara, with nine miles of tremendous rapids in the gorge below, lends itself to one of the greatest single power projects in the world. At the present time there is only one thing lacking for its development and that is, a large enough customer to handle such a block of power. The solution may be a number of customers joining together for a power block large enough to warrant this development. We believe, that with the upsurge in world population and trade, and with the ever increasing standard of living demanded, more and more of our wood, minerals and power will be required and the Hamilton River development will come into production before 1981.

#### Provincial Budget Speech

We have been quoting statistics covering the vast investments and activities of the larger corporations now operating on the North Shore and we now take the liberty of supporting these with quotations from the budget speech delivered by the Honourable Onesime Gagnon, Minister of Finance of the Province, in the Legislative Assembly of Quebec on February 3, 1956.

We have additional pleasure in doing this because the Honourable Mr. Gagnon has represented the County of Matane, Quebec -- that is on the South Shore -- for many years and knows and understands intimately the needs and problems of both shores of



the St. Lawrence.

We won't read his figures on page 19, but on page 20 I would like to read at the bottom of the page a reference concerning steel plants.

"It has further been reported that another leading aluminium producing company may establish a plant in the Seven Islands area -- that is a second aluminium plant. Consider all the benefits derived by the North Shore and New Quebec from the extraction of iron ore, and remember the North Shore was one of the most isolated and poorest regions of the Province; it could only be reached by airplanes. In the last ten years, its development has involved a capital outlay certainly exceeding \$1,500,000,000."

This figure is higher than ours, but I imagine it includes government spending on the McGill line etcetera.

"It is very difficult to estimate the number of workmen, of technicians and of engineers who were employed to carry out the gigantic works in that area. It is also very difficult to estimate the number of workmen who will be enabled by these new constructions to earn their living and that of their families.

The achievements that have been realized in New Quebec and on the North Shore are but a beginning. Certain observers believe that, within the next ten years, towns of 50,000 inhabitants will arise in that once deserted





"area. The possibility of the erection of steel plants is daily becoming more definite and I am assured that such a possibility will soon become a reality. If you make comparisons with the beginnings of our other recently discovered areas you will doubtless reach the conclusion that no region has ever given us grounds for greater hopefulness or afforded promises of more substantial progress."

So speaks the Provincial Minister of Finance concerning the future of the North Shore.

On Winter Navigation, we will read some of it, the more important things.

This winter, 1956, newsprint being in "short supply" and wind and weather conditions being reasonably favourable, no less than six loaded vessels have been despatched by Quebec North Shore Paper Company with full cargoes of pulp or paper, all unassisted with one exception, from Baie Comeau.

We don't need to give those vessels.

On page 22, the second paragraph:

In the late December 1955 and the first half of January 1956 the newspapers contained numerous despatches reporting unusual demands on Government ice-breakers to free ships from harbours and escort vessels to open water. Prince Edward Island ports were often in the news. The "N.B.McLean" was required to leave her duties between Quebec and Levis to go to Charlottetown, and much more. There are two obvious reasons,



apart from weather, for these demands. First, there are not enough ice-breakers and those in service have their specified duties and cannot be spared to keep open the busy but comparatively new, or newly awakened harbours in the Gulf. There are some more facts about Dalhousie Port. Dalhousie is not on the North Shore, it is on the Bay of Chaleur, but it certainly has an effect upon winter navigation. At the top of page 23:

We realize there must also be strong pressure for ice-breakers from the Arctic and now from the North Shore which cannot be safely ignored. It has been announced that a 2½ million dollar ice-breaker is on the stocks at Lauzon, replacing the lost "Lady Grey". We believe, instead of one, two more should be ordered at once to keep pace with the needs. The Canadian Navy "Labrador" is reported to be making a survey of ice conditions in the Gulf and gathering meteorological reports. We trust this will hasten and not delay the ordering of new ice-breakers. Two and a half millions of dollars to service a billion dollar investment seems a small price, for a country like Canada, to pay for development of new found economic resources.

I would like to go down to the last paragraph concerning ice-breakers.

We would like to call your attention to the fact that recently there has been a good deal of activity in the construction of ice-breakers in the Baltic. It is understood that three ice-breakers were delivered in recent years to Russia from Finnish yards; one of these has a displacement of 5,360 tons and





10,500 h.p. Finland has also constructed a slightly smaller vessel for its own government, but with the same h.p., designed to be capable of assisting dry cargo vessels up to 10,000 tons dead weight and tankers up to 16,000 tons dead weight. Sweden has built a medium size vessel of 1,930 tons displacement and the Danes, one of 1,400 tons displacement. It is reported that Finnish yards have two additional orders for Russia, one for Sweden and one for Finland. This would mean a total of five new ice-breakers for Russia, two for Sweden, one for Denmark and two for Finland, making ten in all.

It is unlikely that this information, which has been received directly from Finland, includes the atomic ice-breaker the Russian press has been proclaiming would be built. According to despatches, this atomic ice-breaker will have a displacement of 16,000 tons, a power plant equivalent to 44,000 h.p. and will be able to travel without refueling for a year.

The construction of these ice-breakers tends to show the active progress being made by other northern countries in the development of ocean trade routes to the far North. Is it not time that serious consideration is given to opening up our great water route into central industrial Canada? This could be done progressively. The first stage, from the Atlantic to the Saguenay; second stage, from the Saguenay to Quebec; and third stage, from Quebec to Montreal. Surely, this Commission will visualize the great impetus this would have on present business and industry





and its far reaching effects in Canada's economic development.

We include a list of transportation facilities completed or begun in Canada last year which some of our people have heard of, -- railroads that have been put into the various mines. For example, you have going up to the Chibougamou area two railroads 149 miles and 139 miles in length. We did not mention in here the extension from Sheritton to Lynn Lake in Manitoba. These are quite substantial railroad branches. I will read from the middle of page 26:

Capt. Charles Caron, O.B.E., commander of the C.G.S. "D'Iberville" and one of the world's most ice-wise seamen, is convinced after 23 years of navigation in the Arctic that it is actually warming up. He puts it this way:

"The Arctic is following the same trend as the St. Lawrence River. Twenty years ago, the river would freeze solidly from early November until late April. Now it opens in late February. The same trend is true in the arctic. Each year I have to go deeper and deeper north before meeting the ice pack. It's getting warmer every year."

This statement of Capt. Caron is significant and is fully borne out by the records of shipping in the St. Lawrence. The St. Lawrence River, I believe, was opened up just a few days ago right to the Atlantic. If this trend continues our northern areas will become rapidly more inviting to industry and habitation, and with some aid from ice-breakers there is good reason,



we believe, to expect in due time the St. Lawrence can be opened to Montreal. The untapped mineral resources of the arctic will be exploited and our Canadian people will begin to recognize Ungava, the former North West Territories and the Arctic as integral parts of our great Dominion and destined to play a very important part in Canada's economic future. Right across Canada's north we will see, springing into being, new towns such as Knob Lake, Yellowknife and Flin Flon, in a climate no more severe than our fathers experienced right along the Ottawa and St. Lawrence Rivers fifty years ago.

#### A North Shore Railway

Five or six charters have been granted in the last fifty years for a connecting railway into this region but nothing has transpired. Either the traffic prospects were not considered favourable or the promoters could not raise the money.

An active and insistent group with the formidable title of "Comite du Chemin de Fer Chambre de Commerce du District de Baie Comeau" have been making studies of the possible rail routes and have met with Mr. Marler recently on this subject. We will quote the extracts from the report of our Committee drawn up November 5, 1955. Certainly the question of the construction and economic prospects for a railway along the North Shore should be given serious and immediate study by our federal government. We won't read the details. There are a couple of different routes, and the prices of these routes. On page 29:





Any railroad can only be profitable if the freight traffic to warrant its construction and operation is available. The Minister of Transport mentioned a minimum of 500,000 tons a year would be required to warrant such a venture. Our committee is presently working on preliminary estimates and these are not yet complete; however, the first large item which we would be certain of is the movement of at least 100,000 cords of railed pulpwood which amounts to 250,000 tons to start with. There is merchandise, construction supplies and equipment, pulp and paper machinery and products, mining machinery and products, army, navy and air force requirements. With a population of 100,000 people, which we will realize in a very short time, and rapid and increasing flow of raw and manufactured or semi-manufactured materials, we believe the North Shore and Labrador will load much more freight on a railway each year that you will find on some of the railways above enumerated which have been recently undertaken by the C.N.R. We count on your commission to draw to the attention of our government the need for an immediate and serious study of our railway problem.

We have a section on Air Transportation, sir, from which I would like to read some extracts.

Many regions of Canada and of other countries devote a lot of attention to, and do very well, by its tourist attractions, we have plenty of these attractions also but the actual figures we shall quote deal overwhelmingly with serious business people, pioneers and workmen.



With part time boat service and highways and bridges still under construction, the North Shore must for the time being during winter months depend entirely upon air transportation. There is also a very considerable air traffic throughout the remainder of the year. Our Chambers of the North Shore make frequent and urgent demands to our Provincial authorities for a first-class highway with bridges (except over the Saguenay) and some actual progress is being made. Since commercial air operations come under the Federal government, we believe that statistics on our air transportation will be interesting to your Commission.

On page 30 you will find statistics. At the bottom there I would point out these figures of 125,000 air passengers and almost 3 million pounds of air express and mail yearly for the North Shore, we hope, will convey to you the vital importance of adequate air transportation which we do not have at the present time. Our case has recently been presented by our Chamber to the Air Transport Board. Suffice to state that with our rapidly increasing population and industries, and with the travelling and outside labour required to man our construction and industry, we believe that our government should extend airport facilities where necessary, institute flying control for safety and provide safe and regular airline service to the larger growing centers of industry on the North Shore. This should be done immediately as present services, we consider, are not adequate or satisfactory, or as cheap or as direct as we had a few years ago. Air





transport accommodation and reliability of service for certain parts of the North Shore has fallen behind in the past year or so, and only the fact that a mild winter permitted highway travel to Quebec, saved Forestville and Baie Comeau from complete isolation on several occasions. Hundreds of seasonal workmen employed on woods operations on the North Shore could only reach their homes when their winter work was completed by travelling by taxi via Quebec, a distance of 500 miles, to reach Matane which was distant only 40 miles by air from Baie Comeau.

North Shore residents have always paid and do still pay the highest rates for flying we have heard of in the wide world. The across river and along shore rates are .15 to .19 per passenger mile, or about two and a half times the regular air rate on other lines in Canada and United States. No one has seriously complained about the rates, but they do expect an adequate, safe and reliable service, and where the Department of Transport allow such exorbitant rates to be used we would expect them to demand from the operators dependable service for our travelling public.

#### Our Future

Other new companies are now taking advantage of the progress and know how of Iron Ore and are combing New Quebec and Newfoundland Labrador for their share of the new Mesabi. To the far north Cyrus S. Eaton interests under the names of International Iron Ores Limited and Atlantic Iron Ore Limited have exploration rights on 160 square miles west of Ungava Bay. Plans





for development are under way.

A private bill has been submitted to our government by Quebec North Shore and Labrador Railway Company to extend their period of development a further ten years for the construction of a 300 mile extension North to Ungava Bay. This extension is estimated to cost \$125 million.

Canadian Javelin has plans for developing its iron ore Deposits at Wabush Lake estimated to cost \$32 million. A 43 mile railway line from Mile 224 of the Quebec North Shore and Labrador Railway to Wabush Lake costing \$16 million is to be backed by the Newfoundland government.

Jones and Laughlin Steel Corporation of United States, has an option on an estimated 250 million ton reserve of iron some 200 miles north of Seven Islands and some 40 miles from the Quebec North Shore and Labrador Railway.

Some of our large rivers cutting through iron formation have over the centuries carried down fine particles of iron ore and left them in great deposits at their deltas. One of these rivers is the Natashquan where Aconic Mining is now developing a pilot concentrating plant to recover the iron from the sand. The capacity of the plant is estimated to be at least 1,200 tons daily. This company has mining rights on 48 square miles of property and reports that their estimate of iron sand deposits is approximately five billion tons. We have written these figures so that no one will be confused. If these estimates are



correct then we have here delivered right on the shore of the St. Lawrence a very important iron ore potential. Ore shipments are planned for 3 million tons first year, 6 million the second and ten million hereafter. The first contract for sale of ore is with Germany, a further demand for year around shipping from the lower St. Lawrence.

Another new development, not yet producing, but under way, is near Johanne Beetz Baie where Spar Mica Corporation Limited are now constructing their own wharf and harbour facilities. This project plans to produce 600 tons of ground feldspar daily in the latter part of the summer and to operate throughout the year. Due to the present navigation tie-up they have planned for a storage building of 50,000 tons.

The Quebecair pilots flying the Mont-Joli Goose Bay freight run noticed in low weather that their compass course traced an arc over the earth's surface near a prominent hill in the vicinity of Lake Magpie. Mineral minded men, who had flown in the exploration days of Labrador's iron ore, they suspected iron. They explored, found and staked an ore deposit of 2 billion tons. With future advance in metallurgy this will be another potential iron and titanium mine of the North Shore. The Manicouagan and Outardes rivers both have their iron deposits, but still in place in the hills.

Base metal deposits in Labrador have shown interesting indications of copper, zinc, nickel, lead, chromium, cobalt, gold and silver. An interesting





deposit of high grade graphite has also been found. An extensive deposit of quartz, extremely high in silica, has been located near the St. Lawrence which can, with the power readily available, provide silicone for Canada's aluminium industry. Recently Mr. Smallwood has announced a large uranium find in Labrador north of Hamilton Inlet.

Forest operations can and will be extended on the North Shore in the future. Each year there is an increasing demand for Canadian newsprint in spite of the tremendous growth of the paper industry in the Southern States and in our Canadian West.

L. Z. Rousseau, Dean of Forestry and Surveying at Laval, stated in a conference given to the Quebec Forestry Association at Forestville, September 28, 1955, that calculating North Shore forest growth an average annual increment of one quarter of a cord per acre per year their annual possibility is more than 9 million cords. We have already stated that present production is one million cords. Forests are crops and are of little value to anyone unless the crops are harvested. We are confident that year around navigation and a railroad will see rapid increase in our forest and pulp and paper industries of the North Shore.

We cannot venture to gaze too deep into the crystal ball and foretell what the North Shore and Labrador will produce by the year 1981. Up till 1936 there was no manufacture and no mining on the North Shore with the exception of the pulp mill at Clarke City.



Since that time Comeau Bay came into being Forestville, Knob Lake, Schefferville, while Seven Islands and Havre St-Pierre jumped from fishing villages to industrial towns. Airports developed all along the coast. A road came down from Tadoussac to Comeau, another road link started up from Seven Islands towards Comeau. Investment, building business, shipping and population soared till those of us who lived on the North Shore through those twenty years thought we had seen all. Today, we realize that we have only seen the beginnings. In another twenty-five years of similar progress the North Shore will in all probability match, and may possibly eclipse Lake St. John district in industry, if not in population, and will far exceed it in developed hydro-electric power on the several Saguenays of the North Shore and Labrador. We, on the North Shore, have a great history and a great tradition. The sincere aim of our Chamber of Commerce is to cherish and perpetuate these for all time.

THE CHAIRMAN: Thank you, Mr. Fraser and Mr. Trepanier for a most interesting brief and a very encouraging one. I think we would like to ask a few questions if we may.

MR. TREPANIER: Certainly.

THE CHAIRMAN: First of all, on the question of year around navigation, is it more difficult to keep the route open through the Gulf to the Atlantic or is the difficulty in the cross river traffic to Rimouski?

MR. FRASER: I would say that each one of





them have their problems. There is quite a pile-up of ice in February and March at the entrance to the Atlantic starting at Cape Breton Island.

MR. GUSHUE: That is thick ice, arctic ice?

MR. FRASER: Yes. On the North Shore the ice is never too heavy and it shifts with the wind and as you have seen with this report, many boats have operated almost through the winter without an ice breaker. The ice breaker came in once in the season and helped one boat out stuck at Rimouski. We have a boat operating from La Malbaie to Seven Islands and that has operated fairly regularly this winter and as long as the wind is northwest he gets the open water along the North Shore but it would take an ice breaker to get boats out of the harbours to get them into the open water channels but we all believe from what we have seen on the North Shore -- I have been through in 1926 and been on the sea in winter time in ice breakers, schooners and channel vessels. We have never seen any ship delayed or boat delayed. We have always eventually got out without help and we certainly think with adequate ice breakers a pretty regular service could be maintained from the North to the South shore and to the Atlantic.

THE CHAIRMAN: As far as keeping a channel open to the Atlantic is concerned, that you don't feel creates considerably more difficulty than keeping a channel open across to Rimouski?

MR. GUSHUE: You would not keep a channel





open; your channel would change.

MR. FRASER: It is not a question of keeping the channel open; it is a question of the boat following the water leads after being directed by an aircraft. Then when they do get into trouble they might have to have a short strip opened with an ice breaker.

MR. GUSHUE: I was rather interested in your reference to the waters warming up year after year and a ship being able to go farther north. There is a very considerable bit of opinion particularly among Canadian oceanographers that that again has changed and that we are going back to cold water on the coast again. It might be worth looking into.

MR. FRASER: I have no doubt about that. I know yesterday morning I thought so.

THE CHAIRMAN: I don't know, Mr. Fraser. The first item yesterday morning was to receive a brief from Mr. Gilbert LaBine. He did not find it difficult, he said, to get down here. It just depends how you are brought up?

MR. FRASER: Yes.

THE CHAIRMAN: I presume a railway from Arvida and Chicoutimi up from Knob Lake would be a much bigger undertaking than this ice breaker?

MR. ROULEAU: Oh, yes, a railroad is quite an undertaking. First of all, I think it would be more expensive to build a railroad coming from Lac St. John up to Baie Comeau because we have certainly around 250 miles of railroad while coming down along the



Shore from LaMalbaie where the terminal there is now, it would be about 135 miles, so it would be a big problem. It would be a problem now of building a bridge over the Tadoussac River which is a big river and with respect I am inclined to think the way it runs it will serve all villages along the coast by building a railroad along the coast coming down from Tadoussac.

MR. LUSSIER: But at present coming from Chicoutimi to Seven Islands don't you feel that a ship could get to Chicoutimi winter port and would get out?

MR. FRASER: Well, we believe that a railroad from Lake St. John would certainly benefit Lake St. John because it would bring bauxite up in the winter time and ship aluminum ingot and possibly it would be a great benefit to Lake St. John but it would increase our freight for a 175 mile haul and the Quebec-Lake St. John railway I might say, is poorly located at the time. Probably the location was all right at one time. The grades are bad on it and it is not a very efficient railroad at the moment and if a railroad went up there it would increase the freight tremendously.

One thing is to make a bridge on the Saguenay at Chicoutimi. It is not a very serious problem, but the mouth of the Saguenay is a very big problem and we have recommended in this brief that they use a ferry boat which could help, and a little later eventually a bridge might go up but the project I think





everyone figures would be extending the railway from LaMalbaie area along the shore to Baie Comeau and eventually to Seven Islands. It is 169 miles from LaMalbaie to Baie Comeau and another 70 miles to Seven Islands -- 270 miles altogether.

THE CHAIRMAN: We are naturally impressed with the figures of the power potential on the North Shore, including the Labrador area. Do you believe that you will require the bulk of that power in the North Shore area itself or do you think that some substantial part of it may be transmitted elsewhere either into the interior part of Quebec or over across the river to Gaspé on the South Shore?

MR. FRASER: The plans of the Quebec Hydro are to ship a lot of power, most of the power from the Bersimis, Manicouagan and Outardes systems to Lake St. John and Montreal in their grid system and that is a very considerable bloc of power. As you will see, those three rivers represent a potential of  $4\frac{1}{2}$  million horsepower and I think that the present plans are that at least three and a half million horsepower will be exported to elsewhere in the province. How it will go to the South Shore I don't know. Our members from the South Shore Chambers of Commerce might say something about the possibility of using the power on the South Shore.

MR. THERIAULT: Well, Mr. Chairman, it is pretty hard to figure out at the present time what this really will be when transmitted to the South



Shore. If my memory serves me right, I believe that the copper mine in the Gaspé area will eventually take some 75,000 horsepower and that the cables were constructed to carry more -- about 50 percent more than that calculated. Now, there has been some talk recently of having three more cables built and laid down across the river to increase the carrying capacity of the present set up.

As you are no doubt aware the lower St. Lawrence district, that is, on the South Shore, particularly the counties of Rimouski, Macann, Matapédia and Gaspé and Bonaventure, have been slow to develop but they have been very slow to expand industrially and otherwise. The main reason for this in the past was the lack of power. There were no power facilities, no rivers, nothing to supply the needed power. Well, apparently from what we have been able to see lately and from what I have been told personally this is no longer true. The electricity carried over the St. Lawrence is a permanent set-up and there is no danger whatsoever that it will disappear that the system will fold up. Therefore, we anticipate, of course, we may be a little optimistic, but we do anticipate a certain development on the South Shore, a development of our own which in some respects will have probably very little to do with the development on the North Shore.

In every respect this will be vitally linked with the natural resources of Northern Quebec. This is a point I would like to draw your attention to





if I may, gentlemen. Throughout the brief which, incidentally, we fully endorse -- we would not be here this morning otherwise -- throughout that brief Mr. Fraser brought out the peculiarities of the North Shore, its potential, its economy, expansion, its future possibilities. We on the south shore will benefit from that expansion, there is no doubt about that. As it was pointed out to you very early in the brief, it was said that there are as many people or more along the south shore of the St. Lawrence River whose livelihood could also be affected by the results of these hearings. Well, that is very true.

However, in support of the demands contained in this brief we would like to say that different development will also warrant winter navigation and the use of an ice breaker or two ice breakers as the case may be. There is a fairly distinct possibility that a paper mill will be erected on the south shore. This, of course, will require increased navigation facilities. There has been some talk about uranium and the old saying that there is no smoke without fire would seem to be true that there has been some talk that eventually all the lakers that will be used to ship iron ore to the lake district will come down the river loaded with wheat or cereals. At first it was thought that this would be unloaded on the North Shore. Eventually it was pointed out that this would be hardly feasible due to the lack of railroads and highway facilities. Therefore, people began thinking about the South Shore for that purpose. Mind you, this is only a rumour but





it may come to pass. There has been talk recently by our provincial government about subsidiary industry to be located on the South Shore now that power is available to take advantage of the mineral deposits of the North Shore be it aluminum or iron ore etc.

In addition to that, the South Shore communities themselves are lumbering communities. It is a lumbering district and there is a considerable amount of pulpwood shipped out of that district every year. For the past ten years the average is in the vicinity of 200,000 cords. That is on private lands alone. It is shipped mostly by boat, of course. In addition to that there are some large companies who have their holdings in there and who must also use marine navigation to bring their raw materials to their own plants. Furthermore, there is approximately 75 to 100 million feet of lumber shipped out of the district every year.

Now, natural navigation being closed during the winter months ties up the storage facilities on the South Shore and impedes development of those industrial organizations.

Another point, Mr. Chairman, is this one: in addition to being a lumbering district, the South Shore is a farming district and I think it was pointed out earlier that the North Shore depends upon the South Shore and vice versa. The South Shore farmers depend upon the North Shore as their closest market. With navigation being tied up in the winter months, of course, that does not help matters at all and it is



desired and hoped that eventually we will be in a position to effect our shipments the year around. I think I have covered in a general way the condition of the South Shore, Mr. Chairman.

THE CHAIRMAN: Thank you very much.

MR. LUSSIER: J'ai été très heureux et très intéressé d'écouter votre mémoire.

Il me fait plaisir de vous dire ici qu'il y a trois Commissaires qui ne sont pas des étrangers.

Monsieur Raymond Gushue qui vient de Terre-Neuve.

Monsieur le Président qui est un ancien matelot, parce qu'il a passé sa jeunesse à faire de la navigation, de la petite navigation sur la côte nord; il la connaît très bien.

Conséquemment tous les deux sont particulièrement intéressés dans votre mémoire.

Quant à moi, comme je vois l'ai dit tout-à-l'heure, c'est presque ma seconde patrie; je peux même avoir des préjugés en faveur de la côte nord.

J'ai seulement quelques questions à vous poser, et comme l'heure avance je parlerai très vite; vous pourrez répondre en anglais si vous voulez.

Vous avez dit tout-à-l'heure que le service aérien actuel n'est pas adéquat, n'est pas "reliable". Est-ce que vous n'avez pas le service de la T.C.A. par exemple?

MR. FRASER: T.C.A. operates from Montreal





to Quebec and then you go the rest of the way by ship to Seven Islands. We have an intermediate company, Quebecaire who operate from Mont Joli to Rimouski down the North Shore to Seven Islands and also as far as Quebec, so it means any person going to Montreal must change, any person west of Seven Islands must change aircraft at Quebec or if you go east from Baie Comeau anywhere eastbound I guess that that airline goes across the river, one, two or sometimes three times when they go to Rimouski, Mont Joli, Matane and their schedule is not very convenient nor are their operations too regular. A few years ago -- well, up to last fall -- we had Canadian Pacific Airlines who operated Montreal, Quebec, Forestville, Baie Comeau and Seven Islands but they have since transferred their operations to the west and Trans Canada Airlines took over Quebec-Seven Islands and Quebecaire took over Quebec-Forestville-Baie Comeau and the coast and also the run from Seven Islands to Knob Lake.

MR. LUSSIER: Permettez-moi de vous interrompre, mais j'ai compris qu'entre Baie Comeau et Matane il y a quarante (40) milles de distance --

MR. FRASER: Yes.

MR. LUSSIER: -- et que ca serait la premiere station de chemin de fer que vous pourriez atteindre dans le moment a peu pres, soit Rimouski, soit Matane, et que la nouvelle compagnie vous oblige de faire plusieurs arrêts et de parcourir une distance de cinq cents (500) milles. Est-ce exact?

MR. FRASER: No, no, I said that this winter -



the brief mentions this winter -- that due to the unreliable service ---

MR. TREPANIER: C'est un accident ca.

MR. FRASER: Some of that was due to weather, Mr. Chairman, but we were cut off entirely and many hundreds of lumberjacks had to take taxis and go a distance of 500 miles around by Quebec to get home when their home was only 40 miles distant.

MR. LUSSIER: Avez-vous un service direct entre Baie Comeau ou entre Sept-Iles, ou les stations de chemin de fer roulent ou non?

MR. FRASER: We have it direct between Baie Comeau and Rimouski. We don't have a direct between the towns east of Baie Comeau and the South Shore. It is a complicated service. We don't understand it ourselves.

MR. LUSSIER: Maintenant est-ce que vous pensez qu'on pourrait, est-ce que vous esperez avoir ce qu'on appelle des industries secondaires installes sur la cote nord ou meme sur la cote sud.

On a mentionne qu'il y avait des espoire la'dessus. Maintenant quand je parle d'industries secondaires, je veux dire des industries secondaires qui demanderaient l'aide du gouvernement, l'aide d'un tarif par exemple, pour se maintenir.

MR. FRAISER: No, I don't perceive that such industries that we would foresee would have to be protected by tariffs. The cheap power on the North Shore would make it possible to have industries such as aluminum. Maybe that is a primary industry in the





eyes of the Commission but when you think of taking iron ore and shipping it out, that is a basic industry to us. If it is manufactured into steel at Seven Islands some people might still consider it a basic industry and Mr. Durrell told you and the Honourable Mr. Gagnon has also referred to the possibility of steel manufacture on the North Shore either at the mines for concentrating lower grade ore by the use of an electrolytic process or the manufacture of steel with a full-fledged steel plant at Seven Islands and it is anticipated that this would be electric process, that they would use a large amount of power. Such industry as the manufacture of steel and aluminum will not require any protective tariffs.

Now, the industries referred to on the South Shore -- you may have the manufacture of aluminum products such as the Reynolds Company which are going to undertake this at Cap de la Madeleine and I don't believe secondary industry of this nature will require any protective tariff. At present industries on the North Shore which total to about \$195 million a year on production won't require any protection to compete with world markets.

MR. LUSSIER: Quelle est la valeur presente de la production annuelle de la cote nord?

MR. FRASER: Well, I have made as accurate an estimate as I can. We have the figures for the production of each of them. In 1957 there will be one million cords of pulpwood, 110,000 tons of pulp, 165,000 tons of paper, 12,650,000 tons of iron and





titanium ores and 20,000 horsepower will be exported to the South Shore and I estimated the value of these items from the most reliable figures I could obtain which would amount to a figure of \$195 million.

MR. LUSSIER: Pourriez-vous me dire en '57, '58 et en '81 par exemple.

MR. FRASER: That would be 1957. In 1958 we will have a little increase in some of these industries. Pulpwood, we estimate, will go to 1,200,000 cords, pulp 125,000 tons, paper 180,000 tons, iron and titanium ores 14 million tons. The first flow of aluminum will come in 40,000 tons and there will be one million horsepower export by Quebec Hydro and we have estimated the value of this production at \$263 million.

MR. LUSSIER: \$263,000,000. Et puis en 1981? Donnez-moi tout simplement le montant.

MR. FRASER: Yes. In 1981, I may say in general we figure that the production would be double over present production and, of course, we have actually the figures on aluminum which will go up to we know in 1960, 160,000 tons and I have put that up to 300,000 tons with a second aluminum industry coming in by that time and there will be three million horsepower exported by Quebec Hydro at that time. That would give us \$740 million in industry without any steel plant.

Now, if a steel plant were established



at Seven Islands it would be \$100 million to \$200 million industry and that would bring the total production up to probably \$900 million total on the North Shore and Labrador.

MR. LUSSIER: D'apres vos estimés sur la capacité de production annuelle du bois, il y aurait moyen de construire, je crois, 7 ou 8 moulins à papier aussi gros que celui de Baie Comeau, si on prenait avantage de toute la production qu'il y a là et si on la transformait sur la côte nord?

MR. FRASER: I don't think there is any doubt with year round transportation and railroads there would be further paper mills, because there are plenty of limits to support them.

MR. LUSSIER: Maintenant vous n'avez pas pris en consideration .....

MR. FRASER: I doubled the paper production, I figured 300,000 tons.

MR. LUSSIER: Yes.

MR. TREPANIER: Ce n'est pas la capacité totale.

MR. LUSSIER: Tres bien.

MR. FRASER: In 1981 I have figured two million cords of pulpwood -- double our present, pulp 250,000 tons -- double present capacity, paper 300,000 tons -- not quite double, iron and titanium ore 25 million tons, aluminum 300,000 tons and power 3 million horsepower exported. Of course, there would be a lot more power than that, for example -- a half a million horsepower British Aluminum will be





consuming on the North Shore making aluminum. That won't be exported.

MR. LUSSIER: Vous avez mentionne qu'il y a un projet de chemin de fer, je pense meme qu'on va commencer a le construire bientot, qui doit relier le mille 224 au Lac Wabush?

MR. FRASER: Yes.

MR. LUSSIER: Quarante-trois (43) milles de long. Est-ce qu'on va mettre une mine en exploitation et quelle est la nature du minerai qu'on va en retirer, et la quantitie?

MR. FRASER: That will be iron ore.

I don't know what their production is. I have just estimated we have at present 12,650,000 tons of iron and titanium ores and that that would double by 1981 -- 25 million tons. Someone might say "Who will buy this?". Well, you have in the brief a statement which comes from very, very reliable sources which says the United States will need 38 million tons of our iron ore to make up the ore they require for their steel plants and most of that iron ore must come from Labrador as we know the iron deposits today. Of course, Steep Rock is supplying a certain amount in the Great Lakes area but it is small in comparison with this tonnage.

MR. LUSSIER: En resume vous ne nous demandez rien sauf des brise-glaces. Aucune protection tarifaire. Vous comptez sur vous-memes pour pouvoir faire le developpement de vos ressources, et de le faire de facon a supporter les competeurs, n'importe quelle



autre competition de n'impore quel pays. Est-ce que c'est ce que je comprends?

Je comprends que le chemin de fer c'est une chose qui viendra beaucoup plus tard, quand vous pourrez le justifier au moins?

MR. TREPANIER: You should not forget we would also like to have an ice breaker and a railroad. We figure we will justify it in about four or five years.

MR. LUSSIER: Well, if you can justify it won't that railroad have to be subsidized?

MR. TREPANIER: Well, they will have probably the ordinary subsidy of \$25,000 for construction purposes, but it cannot operate without great profit with a tonnage of approximately 500,000 tons a year.

MR. LUSSIER: The most pressing things are ice breakers?

MR. TREPANIER: Yes, that is the most urgent one.

MR. FRASER: You can understand from the brief that everything that has been done on the North Shore today has been done by private enterprise and the companies have succeeded in building up, as you see, quite an appreciable amount of industry and business. We have been asking for ice breakers for quite some time. When Mr. Chevrier was Minister of Transport we met at Baie Comeau and discussed it with him and we thought ice breakers were just around the corner. We found out they have not come yet. All we





need is adequate transport and we don't need tariff protection but adequate transportation and the North Shore will develop to be one of the great coming parts of Canada.

I don't think there is any question when you see the mineral resources and the power. I might say one thing about the power. Since one of your members of the Commission is from Newfoundland, when we have put in the power to the Hamilton River which, of course, is in Newfoundland-Labrador, we believe that when that power is developed the chances are it will be used on the North Shore rather than on the Labrador coast. I think that has been the thinking of the industries who have looked into the use of that power to date. So far there has been no large enough customer to take that power. I mention that in here. It has got a potential of 4 million horsepower and I think I am a little conservative on that. If anyone would like to read further details the Canadian Geographic Journal, November, 1948 has a very excellent article by Mr. Desbarats who made a pretty extensive preliminary survey of the Hamilton River for the Newfoundland Government and he had figured the potential of Hamilton Falls alone was 4,700,000 horsepower and he also said that at Muskrat Falls you could develop another 1,130,000 horsepower and he also said that in between there was another one million horsepower. So the whole thing would add up to almost 7 million horsepower. I don't know whether that would be all economical to develop but I think the figure 4 million horsepower is





the figure to use. The watershed of the Hamilton River is 29,000 square miles and in the Kenneaspocott River, that is in the Quebec-Labrador area, the watershed there is 35,000 square miles. Probably with the development in power transmission and submarine cable there could be more power might come from the Hamilton Falls to the Labrador coast, even to Newfoundland but it is a shorter distance, it is only 230 miles from Hamilton Falls to the North Shore -- 280 miles to the Labrador coast and the chances of getting year round navigation and transportation facilities are probably better on the North Shore at the present time than in Labrador.

THE CHAIRMAN: Well, thank you very much, Mr. Trepanier and Mr. Fraser. We are very grateful to you. It has been a very interesting submission.

--- Recess

--- After Recess

THE CHAIRMAN: The next submission is the submission of More Economic Prospects in north-western Quebec with special reference to the Abitibi region, which we will mark Exhibit 265. If you are ready, Mr. Faucher, I think if you could summarize this for us that would be the best approach.

MR. FAUCHER: Monsier le President, messieurs les Commissaires:

Je represente ici le Commissariat Industriel de l'Abitibi, un organisme fonde par la Federation des Chambres de Commerce, dont monsieur Jean-Baptiste Lebel est le president, et monsieur



Louis-Marie Fortin est secretaire. Mon. Lebel est negociant, monsieur Fortin aussi; l'un dans la foret et l'autre dans l'huile -- deux matieres combustibles.

Voici, je crois que le memoire que nous vous soumettons est deja bref; j'assaisrai de l'exposer d'une maniere aussi breve que possible, disons dans l'espace d'une vingtaine de minutes.

D'abord vous avez a la premiere page -- "The Statement in Broad Outline", qui est un resume de l'argument.

Je peux difficilement la resumer davantage, si ce n'est de ne rien dire du tout.

Je peux cependant attirer votre attention...

MR. LUSSIER: Si vous voulez parler en anglais. Dans le moment c'est presque rien que pour moi que vous parlez.

MR. FAUCHER: I find the atmosphere of this Court rather impressing. The lay-out of the Court impresses me very much indeed.

THE CHAIRMAN: I thought you said depressing?

MR. FAUCHER: No, impressive. I am grateful to you, Mr. Chairman, for not using the position of a judge on the Bench which is very depressing to common people.

THE CHAIRMAN: There will be no sentence today.

MR. FAUCHER: If an economist could comment on the position we would take of this court room he would say it in terms of unused capacity.

Je tiens aussi a saluer et remercier





Monsieur Lussier comme Commissaire. Puisqu'il s'agit de l'Abitibi monsieur Lussier est une autorite dans l'Abitibi, non seulement pour Quebec mais dans le Canada. Je dirais qu'il connait tres bien l'Abitibi et qu'il acquit cette autorite meme avant que la region n'emerge sur la carte economique de la province.

I want to emphasize this section of the paper, from pages 9 to 20, a paper mill, a zinc refinery and a meat distributing centre. There is a section of the paper on the mill particularly. It is page 9. It quotes from a daily paper L'Action Catholique at a press conference by Mr. Duplessis last Autumn which says, to quote the Prime Minister:

"My attention has been drawn to a statement made by some newspapers of Toronto ....

The statement was that this government has offered, or was just about to offer, a mining area of about 14,000 square miles in the vicinity of James Bay to the Kayser interests. Never was there any question of that, nor shall ever be."

But, says the Prime Minister, a railway promotor accompanied by Mr. Kayser's son had paid him a visit. This promotor contemplated the construction of a railroad from Montreal to James Bay.

"We discussed together the feasibility of that project, but no conclusion was arrived at. ...."

What we gather from that is that the Kayser Corporation has not taken a stake in the James Bay area, that



railway's interests are looking out to the north and stand by to support the paper mill at Lake Metagamí. None of these were brought to a conclusion or a decision taken on the part of the provincial government. On none of these was any agreement come to or decision taken on the part of the provincial government. I define in broad terms the location of the paper mill. I have brought this map with us. If it might be of some help to you to have a look at it afterwards because it is too large a map -- six miles to an inch.

I have ventured to say something about forestry. This was not written with malice towards some. Actually I said everything I knew about forestry and I picked it up from a paper. The exact references I could not find but I recall it is from the F.A.O. Forestry Service paper which defines certain terms in forestry and certain policies and right after that when I feel uneasy on a subject I add that our economy continues to suffer -- perhaps you remember that passage. It is so written. This was written I should say, to tease Mr. Lussier, which is not so nice to do but perhaps if the forest engineers and economists know a little forestry. This can be said on minerals or other material resources as well.

I emphasize -- well, let us come to the summary of the first section. I assume that you have read the paper. Then, I think pages 7,8,9 summarize the expose so far. We say:

The Northwestern Quebec region represents nearly 12 percent of the total area of the Province of





Quebec, its population 3.5 percent of the total provincial population. If, however, this region commends itself to public attention, it is not so much because of its wide expanse. Rather, it is because of its store of material resources that await development. At the present level of technology, the material resources present themselves in four categories: soil, minerals, forest and hydro-electricity, all in one unit of territory. People are not accustomed, however, to think of this region as possessing the four dimensions of modern economy. Indeed, it is difficult to think of any other region that would, within its limits, realize the four dimensions that modern economy takes on usually through interregional integration. In the northwestern Quebec region possibilities do exist for integration within the region itself. We do not mean to say thereby that our region dreams of independence of other regions. On the contrary, we view dependence on the national and the international economy as a requisite for the maturation of its economy. For this reason, the region needs a railroad to the South to link up the Transcontinental trunk line with the Riverbank railroad and the St. Lawrence seaway.

A panoramic view of the region's main sectors of activities may reveal that we have to deal with a staple economy. It would not be good, we think either for the region or for the country in general, that the region should continue to develop along the





lines of a staple economy exclusively. Exclusive dependence upon mature regions would expose to instability, for staple-producing regions, history shows, are too sensitive to business cycles. Therefore, as resources are developed, as population ages and increases, it would be wise to establish secondary industries and introduce thereby an element of stability.

In our suggestions, we have emphasized the importance of northern and northeastern sub-areas as possessing qualifications for industrial development. In the first place, capital is already moving in that direction. The development around Bachelor Lake, the construction of the railroad from Barraute to Chibougamau, and a highway from Senneterre to Bachelor Lake to be completed to Chibougamau furnish the observer with cases. Secondly, projects for a paper mill, a zinc refinery, a meat-distributing center, are grounded on accessibility of hydro power sites and availability of well-diversified resources. These will call for transportation and communication facilities and will ease the cost of further enterprises. Under normal conditions of economic growth, and with the establishment of the projected industries, we expect that Abitibi's population will be increased threefold by 1980.

But those projects will need the support of public opinion and, if conducted wisely, a high degree of economic planning. As complexity develops, as the economy becomes more elaborate, regional contributions appear, we believe, as a powerful factor in



planning for a well-balanced growth of the national economy. This should require much more scientific data about certain regions than we have been able to suggest in dealing with the Northwestern Quebec region. May our contribution, nevertheless, be accepted as willingness to cooperate and eagerness to participate by any means. Should regionalism be interpreted as a source of alertness, as we would like it to be, then it would help to evade the pitfall of remissness and set an example of good neighbourliness in this world of interdependence and growing complexity.

We are a small lumbering community in Abitibi with about one million cords per annum, and a few words about the location of operations which have not been touched so far and the importance of subsoil resources over the Metagami drainage basin and hydro power all over the Metagami drainage basin, which, however, can hardly be utilized over the clay belt because of the topography. Yet, the Belle River is held to be capable of developing 300,000 horsepower which will help support home consumption or some local industries.

MR. LUSSIER: Will you repeat how many horsepower?

MR. FAUCHER: 300,000 horsepower.

Against this broad view of resources and in general resources pattern and the occupation pattern we proceed to submit which lines are regarded by us as being capable of being supplied in the near future, a paper mill, a zinc refinery and a meat distributing centre.





I will only emphasize the economic aspects of a paper mill.

We are getting from the pulp and paper industry in Canada in the Province of Quebec an importance or a significance to the region. It has supported the pulp and paper industry, hydro power enterprises which has in turn supported industrial development and hydro power has proved polygamous to a multitude of enterprises. Secondly, the content of the pulp and paper industry which is reflected on the three levels of industry -- primary, secondary and tertiary. The operation of a mill itself requires a variety of crafts of which the structure of labour unions in that field bears witness. It is linked with transportation dependent upon a number of additional industries -- chemicals, minerals, wrapping and so on. We find in the reference paper of the Canadian Pulp and Paper Association the aggregate cost of these represents about 10 percent of the gross value of the products.

Now, zinc refining is also a project which is likely to materialize in the near future along the railway from Barraut to Chibougamau, a stretch of about 100 miles has been completed and will go on next summer likely to reach Lake Chibougamau in 1957 at least. A question raised in connection with this zinc refining in Abitibi is whether the zinc industry would allow the new firm coming into the enterprise.

The answer is -- or one answer which is ours -- is whether a zinc refining in Abitibi would produce



such a quantity of zinc as would disturb the zinc market. At present the United States output represents 25 percent of the world production and we proceed to give figures at page 13.

A second aspect of the same question relates to a comparative view of the prospective zinc refining as regards the Canadian pattern of production. There are two in Canada -- one in British Columbia at Trail and one in Manitoba with 165,000 tons in British Columbia and 65,000 tons capacity in zinc refining capacity at Flin Flon, Manitoba.

We emphasize the second question raised on page 13 whether the new zinc refinery can compete with the existing cost structure. Well it may depend upon whether it uses an electrolytic or distillation method of refining. They are both used in North America. The electrolytic method, as the word indicates uses electricity and the distillation method uses coal. One is not surprised to see that the higher proportion of refining in the United States is done by the distillation process but what is most interesting is the shift from the distillation process to the electrolytic in recent years. There still remains that coal use for refineries predominantly in the United States.

So the experience, the United States experience means to us that it might be difficult in the next few years to keep up with the prevailing cost of production level because older firms have amortized their capital and can afford to operate at cost. That is, the conditions demand it. Mining capital is moving in the direction of northwestern Quebec, because for one reason hydro-electricity is





abundant a fair distance to permit electrolysis which is recognized to give a better quality of zinc.

The economic principles underlying those projects -- I need not enlarge too much on these as I assume you have read the paper. Instead I will stress in the last few minutes the remaining section which deals with what we call the conditions under which those projects should materialize or should not. I emphasize first public opinion of what the northwestern Quebec region is and the second aspect is that an overall appraisal of the region's resources, I should even say a re-appraisal, and finally then it is the policy of co-ordination we need very badly.

On page 23 we proceed to say that Abitibi as an object for public opinion is manifold. It all depends whether you are a settler or a miner or a forester or what else. These views of multiple Abitibi may be accounted for by a history of the region's economic growth in which two ages may be discerned. The first age of Abitibi is a forest frontier. Agricultural settlement played a major role in pushing that frontier. The Transcanada railroad opened it up. Colonization lots were distributed along the road from La Reine to Senneterre, and the movement was conducted by missionary societies with the support of government subsidies. This was the heroic age of settlement. It is supposed to be over now. It theoretically ended in the late twenties but it goes on in certain corners. Well, it went on through the thirties anyhow, as we mention with reference to a statement made by Mr. Lower in an





investigation of the forest frontier settlement in eastern Canada. Lower noted a sort of reversal of the selection process. Those remained on their piece of land who were too poor to move out.

We proceed after that to state what the economics of that first age might have been. Mining ushered in a second age. Rouyn at the extreme west was linked to the National transcontinental and a few months later to the Temiskaming & Northern Ontario Railway at the end of an inter-provincial feud conducted in the name of inter-provincial economy. Well, you know when the Val d'Or area appeared on the map and three Abitibi ages emerged.

Then I proceed to show on the sketch map at the end, a sketch of the greater Abitibi whereby we have attempted to broaden the scope and the area of the so-called traditional Abitibi which is spread about to include the hydro power sites on the James Bay slope.

Now, what do we mean by an overall appraisal of the region's resources as the second condition under which the project should materialize? The term signifies that there could be something else than a static conception of resources as relating to land only. The land resources include soil, forest, minerals and water power sites. This goes to say that we have a functional approach to the resources problem. So that resources appraisal relates not only to land factors but also to the processes of natural resources used in general and to the recognition of the three-way inter-action of natural, human and cultural assets.



Before this resources appraisal implied attitude to conceive of resources functionally, a requirement of what we call an integrated approach to land wealth. On this we quote an American economist resourceship which definition gets us into some obscurity but we have tried to define it some way in the next paragraph.

Now, what about the policy of co-ordination as a third condition underlying our projects. Coming to this concept of resourceship this policy results or may result in minimizing both material resources and human resources. As you know, dispersion is rather costly. It involves wasteful duplication of effort and sometimes results in disutilities in certain sectors. Coordination in the use of resources, both material and human, therefore implies conservation in the broader sense of the term. In a co-ordination scheme, it may appear that the resource pattern of Abitibi, for example, possesses qualifications that may be relevant to the future of the province. A programme of regional industrialization co-ordinated with national or provincial objectives might help to release certain parts of the province from the burden of urbanization or to avoid the disadvantages of geographic over-centralization.

What rendered indeed difficult the preparation of this memoire is that we thought we could rely up to a certain limit of time on that memoire of the provincial government, but unfortunately this brief of the provincial government is likely to come so late that we cannot actually rely on the findings of the





provincial government. But this task of resource appraisal -- I think in five minutes this will be over -- is difficult because it rests on a range of scientific efforts in a field of natural science, applied science and social science which presupposes a number of studies carried on from different angles in relation to certain objectives. Yet, if resource appraisal would help shape the strategy of utilization of all resources with a view to the general weal or the maximization of social benefits, then its task must be one of synthesis. Then, the question is raised who is going to make the synthesis. A synthesis might be either shallow and useless or it might be erroneous in failing to consider the conclusions of one particular science and therefore dangerous. It would be advantageous to define the scientific field implied in the task but we do not venture a definition. We suggest that the task of resources appraisal should proceed from the knowledge of materials available in the field of natural science to the examination of technical feasibility (applied sciences) to the computation of profitability, that is, an additional test of feasibility (entrepreneurial accountancy) to the elaboration of a long run strategy along social-economic lines (geograph and economics or the social sciences in general), and we add this short paragraph here on page 28 which we like to think that in the near future scientists will develop such a sense of humour as may enable them to sit around a table and co-operatively devise a strategy of long run utilization of resources. Their final task will not be one of technology but of



culture.

Now, what about this as related to practical problems? We say something about forestry and forest production. My point is that unless we have a functional approach to the resources problem of our region it is difficult to say how a programme of forest production coupled and combined with hydro-electric projects may be so arranged as to benefit not only forestry and hydrology but the many activities of the region by creating incidental economies, that is, conditions conducive to cost minimization in other sectors. This takes us to the conclusion.

The first paragraph is a review of what has been said before. In our suggestions we have emphasized the importance of north-western sub-areas as boasting qualifications for industrial development. In the first place, capital is moving in that direction. The development around Bachelor Lake, the construction of the railroad from Barraute to Chibougamau and a highway from Senneterre to Bachelor Lake to become complete to Chibougamau furnish the observer with cases. Secondly, projects for a paper mill, a zinc refinery, a meat distributing center are grounded on accessibility of hydro power sites and availability of well diversified resources. These will require many communication and transportation facilities. We venture to say how much capital expenditure will be laid on, say, railroads and paper mills and zinc refineries and we arrive at a very conservative figure of \$71 million or so. Well, this is direct





investment only. We don't take into account the multiplier effect at different levels. Those projects we have emphasized will need the support of public opinion, a certain degree of education and if conducted wisely will require a higher degree of economic planning. You might have a look at the map to locate the region in the general map of the province. All in one unit of territory, and people are not accustomed, however, to think of this region as boasting the four dimensions of modern economy. Indeed, it is difficult to think of any other region that would within these limits realize the four dimensions that modern economy takes on usually from inter-regional integration.

In the north-western Quebec region possibilities do exist for integration within the region itself. We don't mean to say thereby that our region dreams of independence over other regions. On the contrary we are very dependent upon the national and international economy for the materialization of this economy.

It is not an easy task, gentlemen, to have to deal before a Royal Commission with a region like ours because you see, of course, our stand is regionalist and does it mean to say that we have the right to plan for plants growth, balanced growth, balanced economy in the terms of the region, balanced growth in regard to what?

We should have to see from a general knowledge of the province. That is why I suggest that we have waited until pretty late for a memoire because





we felt a need for a more general view of the province or the statement of the provincial government in that respect. We can proceed to questions and answers.

THE CHAIRMAN: Thank you very much, Mr. Faucher. I think we will ask our expert on northern affairs, Mr. Lussier, to ask questions for us.

MR. LUSSIER: Votre memoire a ete tres interessant, et je pense que vous allez rendre service a la Commission en exposant les besoins de cette partie de la province de Quebec, qui est excessivement interessante.

Il me fait plaisir aussi de saluer un de mes anciens eleves, un de mes plus brillants d'eleves, depute de la region, monsieur Armand Dumas qui represente si bien le comte, et je suis certain que si la region a besoin de quelque chose du gouvernement federal vous avez justement l'homme pour defendre vos interets. Je le connais depuis longtemps.

Maintenant laissez-moi aussi vous rappeler que mem si j'ai lu votre rapport, j'avais vu l'Abitibi bien avant votre rapport. J'y ai vecu de 1916 a 1920. Je l'ai parcouru a pieds, je l'ai parcouru en raquettes je l'ai parcouru avec des chiens, je l'ai parcouru en canot. Dans ce temps-la je n'ai pas ete capable de la parcourir en avion, mais depuis je l'ai parcouru en avion.

Et consequemment vous pouvez etre assures, mes collegues seront surement bien renseignes sur la valeur de ce coin de terre de la province de Quebec parce que je suis la pour leur dire.



Je n'ai seulement que quelques questions. Nous n'avons seulement cinq minutes pour la discussion. Nous sommes appeles ailleurs. Je n'ai que quelques questions a vous demander.

La premiere: Je crois qu'elle est fondamentale. C'est que cette region est sous la dependance directe du gouvernement de la province de Quebec, et que seul le gouvernement de la province de Quebec peut etre convaincu de changer, de modifier, d'ameliorer la facon dont la region a ete ouverte depuis le commencement.

Consequemment c'est une question de juridiction provinciale et vous allez comprendre que la Commission, etant une commission de juridiction federale, nous sommes tres prudents, nous prenons beaucoup de precautions pour parler de ces questions qui sont excessivement chatouillantes n'est-ce pas.

Alors nous nous en melons le moins possible sauf pour les questions d'interet general.

Cependant il peut y avoir certains aspects du territoire qui ont un caractere federal. Et voici: vous en avez mentionne un entre autres, qui va paraitre peut-etre pour vous une question secondaire, mais c'est la question de la protection des forets.

Parce que je sais que depuis, a l'age de 40 ans, il y a eu beaucoup de feux de ce cote-la. Des feux que j'ai pu suivre moi-meme et des feux que j'ai vu se developper par la suite.

Et vous avez mentionne que le gouvernement federal pourrait peut-etre aider pour le cas des feux





foret et peut-etre par la prevention, en utilisant une partie de l'armee - de l'aviation et de l'armee. Je crois que l'idee est excellente; nous en prenons note.

Un autre sujet qui pourrait etre aussi du domaine federal. A mon point de vue, plus tard, oh pas mal plus tard, le developpement des rivieres, par le creusage de certaines rivieres, afin de permettre un developpement, soit la riviere Nottaway ou la riviere Harricanaw, et afin de permettre aussi le drainage de certaines parties de la region. Il y a la, je parle de memoire, probablement 30 percent, 36 percent, particulierement dans le bassin de la riviere Harricanaw, qui constitue d'excellentes terres, qui n'est pas draine.

Alors, monsieur Dumas le sait, il connait tres bien cette region, alors la riviere Harricanaw, etant une riviere navigable ou elle le sera, il est certain, alors il serait du gouvernement federal de faire des travaux de draggage pour permettre a ces terres-la de s'assainir.

Je ne vous demande pas beaucoup de questions. C'est presque un nouveau expose de la region. Mais tout de meme vous avez mentionne a la page 25 par exemple, sur la Nottaway qu'il y aurait, a part les 100,000 chevaux vapeur qui peuvent etre developpes sur la Bell, 1,200,000 chevaux-vapeur. Pourriez-vous nous dire, en peu de temps, d'ou viennent ces chevaux-vapeur?

MR. FAUCHER: Cela, ce sont des chiffres



que j'ai arrondis. J'aurais du l'indiquer, mais je les ai pris dans le releve, dans une etude faite par la chambre, The Montreal Board of Trade, conjointement avec les Chambres de Commerce de la region.

La Board of Trade semble avoir pris ces chiffres dans le releve hydrologique du provincial et du federal.

MR. LUSSIER: Je voulais seulement connaitre.

MR. FAUCHER: J'ai failli a mon obligation de donner la reference.

MR. LUSSIER: J'ai etudie moi-meme ces chiffres-la, et ils me parassent tres eleves, tres, tres eleves.

MR. LEBEL: Vous avez ca a la chute 70, riviere Nottaway.

MR. LUSSIER: Oui, c'est bien; j'ai connu ca tres avant vous.

MR. FAUCHER: Les anciens sont tres conservateurs, et ca monte depuis quelques annees.

MR. LUSSIER: Voici: c'est a cause de la difficulte de faire des grands barrages dans les hauts des rivières, parce que les terrains sont tres plats, et si vous voulez faire des barrages qui retiennent l'eau, pour donner a cette riviere-la une capacite moyenne 12 mois par annee, de un million deux cent cinquante mille (1,250,000) chevaux-vapeur, enfin --?

MR. FAUCHER: Est-ce que ca s'applique a cette zone ici, a partir de Mattagami, a partir de Sustimika Lake en descendant? J'ai vu par avion, l'an





dernier, j'ai l'impression qu'on peut noyer ces terres-la facilement.

MR. LEBEL: Vous avez deux autres chutes a noyer avant de noyer les terres.

MR. FAUCHER: Dans le texte j'ai un total qui ne correspond pas exactement. Alors ce qui est donne a la page 25, il y a une difference - c'est du au fait que j'ai arrondi les chiffres.

MR. LUSSIER: Je vous remercie, monsieur Lebel, pour le travail que vous avez fait. Et comme j'ai dit au commencement je connais la region, je peux vous seconder.

MR. LEBEL: Me permettez-vous une question. Je crois que le federal, ce que nous demandons aussi pour le developpement de ces territoire, ce sont les voies de communication. Alors je crois --

MR. LUSSIER: Pour les chemins de fer?

MR. LEBEL: Oui, pour les Chemin de fer; je tiendrais a ce que vous n l'oubliez pas.

THE CHAIRMAN: Thank you very much, Mr. Faucher and Mr. Lebel.

MR. FAUCHER: Evidemment j'ai oublie de commencer par vous dire la maniere que vous nous avez recus and que j'ai fort appreciee.

I forgot to tell you howwe appreciated this opportunity to appear before you, and we thank you for this permission to do so.

--- Recess

--- After Recess

THE CHAIRMAN: The next submission is





a brief to be submitted by the Council of Profit Sharing industries which we will mark Exhibit 266, and as I just explained, we gentlemen had no opportunity of studying this brief ahead of time but perhaps after we have had a chance to study it and talk about it amongst ourselves, if there are further points or questions that occur to us perhaps we might feel free to get in touch with you a little later on.

MR. LUSH: Thank you, Mr. Chairman. May I take this opportunity of apologizing to the Commission for our failure to get our brief in your hands earlier.

Secondly, I would like to introduce those who are with us this morning supporting the brief -- Mr. Lou Messenger, Canadian Line Materials; Mr. W. D. Welsford, William M. Mercer Company; Mr. L. M. Nicholson, Nicholson Lumber Company; Mr. Gordon Coulter, Comco Stampings Limited; Mr. Jack Kelleway, Pitney-Bowes of Canada Limited; Mr. M. N. Vichnick, Lincoln Electric of Canada; and Mr. D. M. Verity, Dominion Foundries and Steel.

The Council of Profit Sharing Industries was formed in 1947 by a group of business men who believed in the philosophy of Profit Sharing and whose experience provided convincing proof of the contribution which profit sharing can make to our free enterprise way of life.

The purpose of the Association is to spread the gospel of the philosophy of Profit Sharing. The Association defines Profit Sharing as:

"any plan by which an employer pays to



"all his employees, in addition to good rates of regular pay, cash or deferred sums, based, not on the results of individual or group performance, but on the prosperity of the business as a whole."

Success in business is dependent on many factors and it is extremely difficult to measure correctly the extent of the contribution of each or any of these contributing factors.

While companies practising Profit Sharing are very definite in their appreciation of the contribution of Profit Sharing to their companies' success, they do find it difficult to measure, by generally accepted standards, the exact contribution of Profit Sharing and find it difficult or impossible therefore to record Profit Sharing's contribution in chart form or other similar manner.

In supporting our brief today, I humbly realize that our presentation does not do justice to a Philosophy which can, and I hope will, make further and greater contributions to the peace and prosperity of not only Canada but the world.

The economic future of Canada is dependent on many factors. Our large volume of foreign trade makes us vulnerable to decisions made beyond our borders and in foreign lands, -- decisions over which we have little, if any control. In the main, however, the future prosperity of Canada will be determined by Canadians; by their industry; their sense of values; their imaginations and foresight; by their ability to





diagnose correctly the problems of a progressing economy and in their willingness to intelligently apply necessary remedial action.

Raw materials, research and capital are important and essential, particularly in this age of industrial miracles, but we must not forget that humanity is still our most important source of energy and, as a result, the vital factor in our future.

Therefore, it is not unreasonable to conclude that co-operation between labour and management is the most important of all factors in the economic future of our country. It is vital to our economy and its benefits will be felt and appreciated in every community of every province.

Improved co-operation between management and labour will raise our standard of living, provide protection against inflation, broaden our domestic markets and assist in expanding and protecting our foreign markets.

The philosophy of Profit Sharing has been and still is referred to by many, not only as an ideal, but as an ideal totally impractical in this rapidly progressing material age. Truly, Profit Sharing is an ideal, but, based on results, we may conclude it is the most practical of all practical ideals. When we realize the extent to which our "today" is indebted to the "ideals" of "yesterday" we can understand and appreciate why it is said that "there is nothing more practical than an 'ideal'".



Engineers are aware of the destructiveness of excessive strain and friction in industry with the resulting loss both in the output and the life of machines. As protection against this loss, management provides costly maintenance departments. Unfortunately, we too frequently overlook or fail to appreciate the tremendous losses caused by undue strain and friction in the human element in business - Labor/Management friction resulting in loss of life, inefficiency, slow downs, wastefulness, bitterness, strife and strikes, are constant reminders, that present day thinking in the field of Labour/Management relations is not enough.

The Philosophy of Profit Sharing does not divide -- it unites -- it draws men together. Management and Labour become one team with but one goal. Bitterness and strife are replaced with goodwill and co-operation. Team spirit productivity, lower costs, increased earnings, both to the individual and the company, result in increased production at lower costs, and is a stabilizing influence in the economy. The individual worker feels that he belongs to and is a partner in our free enterprise profit system and through this added strength, our Free Enterprise System is assured of continued progress and even greater success.

The Vandenburg Sub-Committee of the Finance Committee of the U.S. Senate reports:

"The Committee finds that Profit Sharing in one form or another has been and can be immensely successful when properly established in creating employer-employee





"relations that make for peace, equity,  
efficiency and contentment -- in industry."

Profit Sharing, gentlemen, is neither  
Pro-union or Anti-union, it is Pro-human.

In many Profit Sharing companies, earnings  
and security are enjoyed by the employees far beyond  
that which has been achieved as the result of wasteful  
negotiations around the bargaining table, where the  
guaranteed annual wage, fringe benefits, and many other  
issues are reconciled only after much loss of time, loss  
of production and goodwill. Profits are a must, and  
few companies, regardless of size, can continue  
guaranteed annual wage payments for many months without  
them.

In our company, if I may be permitted a  
personal reference, Profit Sharing is determined by a  
formula, which is, "Pay the going rates to Labour and  
to Capital, then split the profits fifty-fifty".  
Approximately 50 percent of the employees' share of the  
profits determined by this formula, is paid in cash,  
the balance is paid into an employees Retirement Trust  
Fund. Based on the experience of the past eight profit  
sharing years, an average male employee, after 25 years  
of service, will have to his credit in his Profit  
Sharing Retirement Fund, an amount in excess of \$45,000,  
which is sufficient to provide an annuity of an amount  
which I believe to be far in excess of that provided  
under normal pension plans.

The smallest amount received by any hourly  
rated employee who has been participating in our Profit





Sharing plan for the full eight years, in 1955 only, in cash and Retirement credits, is \$1,174, which amounts to 54 cents per hour; whereas, the highest amount received by any hourly rated employee was \$1,915 for a total of 89 cents for every working hour for the entire 52 weeks of the year.

We all have responsibilities in the support and encouragement of movements beneficial to the national economy. In my opinion, this responsibility varies in accordance with our capacities, our opportunities and our material successes. As to whether profit sharing falls into this category of movements beneficial to the national economy is a matter of opinion.

In our brief which you have already received, Mr. Chairman, and in our submissions this morning, we are endeavouring to establish that profit sharing is a movement which falls into that category, i.e. "beneficial to the national economy". Further, we hope to establish that the cost of the support or encouragement, if any, is negligible as compared to the benefits derived, directly and indirectly.

This Commission was appointed by a Government which believes in our free enterprise profit system. They are interested in profit because, not only is it a measure of the success of our democratic free enterprise system, but it is largely to profits that the government must look for the revenue necessary to meet the growing needs of an expanding economy.

Experience in Canada and the United States,



as well as in the United Kingdom and in other progressive industrial countries, provides ample evidence that profit sharing has developed beyond the experimental stage. In a word, experience proves that profit sharing increases profits.

The sharing of profits is not simply the dividing of the same profit pie among a greater number of persons. Profit sharing, through its team spirit efficiency increases the size of the profit pie so that everyone enjoys a larger share. The result is today, "Profit Sharing" is considered "profit insurance" and to governments this means "revenue insurance".

While these conclusions are amply justified by the experience of my company, I believe it is also the experience of every company which has been sincerely practising profit sharing. I do not mean to infer that profit sharing is a cure-all and as such that it will ever take the place of good management. While capable management will always be necessary, I do believe that profit sharing does make good management better and that in the complete co-operation of Labour and Management, you will find the answer to most of the problems confronting business men, both today and in the future.

There are two principal reasons to which I believe we can attribute the success of profit sharing.

First, because profit sharing is in accord with sound engineering principles and proven





business practice. Profit sharing gets the whole man, and on a co-operative team basis.

Second, and possibly the more important reason is that profit sharing is in keeping with the basic unchanging natural laws of life.

We still reap whatsoever we sow.

We still are our brother's keeper.

Profit sharing is the application of the Golden Rule to modern business.

Scientists, engineers, accountants and specialists of every kind contribute much to world progress, but the problems of the world are human and their solution will be found only in the minds of men who are capable of thinking with more than simply self-interest.

The benefits of profit sharing will be experience and appreciated in every community throughout Canada where this philosophy is applied.

We trust therefore that the Commission will see fit to do all within its power to encourage, through recommendation or otherwise, an atmosphere in Canada conducive to the healthy growth and expansion of this practical philosophy.

Thank you.

THE CHAIRMAN: Thank you, Mr. Lush.

MR. LUSH: Mr. Welsford.

MR. WELSFORD: It is our considered opinion that profit sharing comes within the specific terms of reference of this Royal Commission as it affects "trends and productivity and standards of living."



Before discussing some of the aspects of Profit Sharing I should like to read a quotation taken from Mr. MacKenzie King's "Industry and Humanity" which was published in 1918. To me this extract is extremely impressive because it so completely represents the thinking of those of us who have had experience with profit sharing in operation. I feel quite confident, also that it reflects the thinking of this Royal Commission.

"If Industry is to advance material and social well-being, which is its two-fold purpose, there must be continuous co-operation between all parties in the application of the principles underlying Peace, Work, and Health. How to obtain such co-operation is the supreme task. Fundamentally, it is a matter of attitude and spirit. Mutual trust born of whole-hearted belief in the common interests of industry must supercede the distrust which arises out of misgivings concerning opposed interests. Fear must give way to Faith, in the several relations. There must be consciousness of a common aim in a common venture in which gains and losses alike are shared.

The venture common to all in Industry is the investment by each of some share of his life or fortune. The aim common to all is that each may render it much needed



"social service, and share as largely as possible in the joint product. Such a venture combined with such an aim is none other than a partnership. A partnership, in fact, as well as in name, is what Industry must become if its two-fold purpose is to be achieved with a maximum of goodwill and efficiency, and a minimum of waste of effort and materials. Partnership, to be worthy of the name, presupposes a willingness to share all along the line, to share in a knowledge and understanding of the enterprise as a whole, and of each others rights and duties, to share progressively in gains and proportionately in losses, and finally, to share in the control and determination of policy. If Industry is to be conducted on a partnership basis, each of the contributing partners is entitled to share in all these particulars. -- If a genuine partnership can be so effected, -- its results cannot be other than beneficial and far-reaching. It should afford to the several parties to Industry the means of gaining a more adequate understanding of the significance of their respective functions in the various processes; it should insure that direct interest in the success of the undertaking as a whole, so essential to highest efficiency; it should foster the copoperative and social spirit





"aimed at by those who would promote the organisation of Industry on such lines of voluntary association as co-partnership, and other forms of co-operation."

That statement, I sincerely feel, reflects the underlying principles behind the Profit Sharing movement.

Profit Sharing, of course, is not a new development, but I can safely say, it has never before attained the heights of interest it has today on the North American continent. Profit Sharing Plans have been adopted by a great many companies who are recognized as leaders of industry. To name half a dozen:

Sears Roebuck

Procter & Gamble

Standard Oil Company of California

Eastman Kodak Company

Canada Packers Limited

Simpson Limited and Simpson-Sears Limited

Canada lags behind the United States in this movement as it does in many new developments.

As of December 31, 1955, from official statistics in the United States there are approximately 28,000 approved Pension and Profit Sharing Plans. Of this number 8,000 are approved Deferred Profit Sharing Plans, that is where the employer's contributions are put into a special fund and accumulated. New Deferred Profit Sharing Plans in the United States are currently being filed at the rate of 100 a month. Deferred Profit



Sharing Plans therefore, represent 35 percent of the total number of approved Profit Sharing and Pension Plans. In Canada, while no official statistics are available, from our investigations, we would estimate that as a maximum there would be no more than 150 deferred profit sharing plans -- 100 approved plans and 50 non-approved plans. This would probably represent not more than 7 percent or 8 percent of all approved plans. This compares with 35 percent in the United States.

It would appear, therefore, that the Profit Sharing movement in Canada has not as yet hit its stride.

As has already been indicated the Council of Profit Sharing Industries defines profit sharing as a procedure under which an employer pays to all employees, in addition to good rates of regular pay, special current or deferred sums, based not only on individual or group performance but on the prosperity of the business as a whole. Profit Sharing, therefore, is something extra.

Why is there such an interest in Profit Sharing? I should like to mention a few of the most commonly reported results of Profit Sharing.

- 1) An increase in efficiency in production per employee
- 2) Labour turnover reduced
- 3) Reduction in lateness and absenteeism
- 4) Fewer or no strikes
- 5) Increased earnings to stockholders and





employees

6) Increased co-operation between management and employees.

In many cases, the results of Profit Sharing have enabled companies to reduce prices to consumers.

The inherent results of Profit Sharing cannot but mean increased earnings and profits.

There are, of course, many factors which are required to sustain a successful Profit Sharing Plan, such as acceptance by an employer of the philosophy of Profit Sharing and the desire to treat every employee as a co-owner or co-partner.

However, we believe that it is the responsibility of the Government to create a healthy atmosphere to encourage Profit Sharing. We further believe that a most fundamental requirement is proper legislation of a type which will act as an encouragement for companies to inaugurate, and operate successful profit sharing plans. By proper legislation, I do not mean legislation which will give any preferential treatment to Profit Sharing Plans and which would encourage employers to adopt Profit Sharing solely in order to obtain tax concessions. This would probably be more disastrous than no legislation. What I do mean is legislation of a type which will not act as a barrier towards implementing Profit Sharing Plans. While there is some legislation at the present time it is such as to discourage the implementation of Profit Sharing Plans.

I should further like to state most



emphatically that we do not believe that Profit Sharing is a cure-all. We do believe that the proven results of those companies that have adopted profit sharing has been a major contributing factor in fulfilling the two-fold purpose of industry which, as I quoted above from Mr. MacKenzie King's book, is to advance material and social well-being.

The impact of Profit Sharing has so well filled industry's two-fold purpose from its proven results that I cannot help but think, and I say this most sincerely, that the Government should seriously consider the formation of a special Royal Commission to study this aspect of our way of life.

Profit Sharing has, and will continue to have a most noticeable effect on trends in productivity and standards of living.

Thank you.

THE CHAIRMAN: Thank you very much.

I would first like to say, Mr. Lush, that Mr. Frank Sherman is a friend of mine and a client of mine and I have heard a good deal about a particular plan in Dominion Foundries and also in my firm we have had occasion over the years to read, I expect, almost everything that has been written on this subject -- certainly all the authoritative publications. I know how successful it has been in certain industries and I know the reservations that some industries and some unions have to it. All I am saying is that I know it is a very big, a very important subject and a subject that requires detailed study rather than just off hand





discussion or conversation. It was for that reason that I said at the beginning that I think we are hardly in a position here without preliminary thought and study to ask questions that would really be intelligent.

MR. LUSH: I hope we may excite the odd question. You mentioned the labour attitude towards profit sharing. I think, gentlemen, that this is best answered by a president of the American Woodworkers Union in the United States and at an annual convention of the council in Canada he said:

"Gentlemen, don't expect support for your profit sharing thinking from organized labour at the national level, but you will get support from organized labour at the local level if you will put it up to them properly."

Because you have not, gentlemen, received the brief earlier, I would just like to take a minute or two to cover one or two of the points that I believe are worthy of attention in the brief proper:

Referring to one outstanding feature the point can most forcibly be made by directing your attention to a recent strike at one of the most prominent industrial companies in Canada. For better than one third of the year, the operations of this company were halted --

No products were produced.

No wages were earned.

No profits were gained.

No tax revenues were taken from either





company or worker.

Unit costs were of necessity increased. In short, everything which is the object or by product of industrial production was lost.

Generally, the standard of efficiency in industrial production leaves much room for improvement. Before the strikes, after the strikes and in plants never strike-bound, costly inefficient production is very wide-spread. While it is true that many ills (such as the flight of engineering talent, poor foremanship and inadequate machinery) contribute to this -- yet the basic all-pervading cause is the absence of co-operation between labour and management. And then it states how our interests are identical.

In any scrutiny of the operation of industrial companies, one is struck by the great variation of the extent to which heed is paid to the human element in the business operation. There is also a great variation in the degree of success achieved -- i.e. the extent to which a full co-operation between labour and management is produced. In some comparatively small operations, we find almost complete failure. While in many very large operations, we find outstanding success.

In some centres, there are scores of companies famous for their labour troubles and production problems resulting therefrom. Yet in these same centres, there are companies drawing their workers from the same population, subjected to the same influences who are equally famous for the enthusiasm with which workers



and management unite to produce with ever increasing efficiency. Outstanding in that field is the Dominion Foundries and Steel Company, Mr. Sherman's company and Hamilton, as you know has been the centre of a lot of disastrous strikes. There is nothing so contagious as enthusiasm and we also believe that those who co-operate are almost a majority.

We believe that the difference lies in profit sharing. We believe that profit sharing carefully and sincerely established by management will produce that identity of interest so necessary to produce team work from labour and management. All other desired results flow therefrom. Both the worker and management have precisely the same object -- namely to produce the product at as low a unit cost as possible so as to get as wide a market as possible and to make as large a profit as possible.

I will skip over the next three or four pages. Other instances of profit sharing on page 7.

There are approximately 900 companies in the United States and Canada which are engaged in profit sharing and belong to the Council of Profit Sharing Industries. These companies are engaged in every type of manufacture, in merchandising, oil drilling, investment banking and general banking. In some of these companies, the employees are represented by trade unions and in other companies they are not so represented. Many who give the subject only casual thought are quick to state that profit sharing could not be applicable in a large company. This is not so.





Profit sharing has been successfully applied by the Eastman Kodak Company, Sears-Roebuck and Company, Motorola Incorporated, and Procter and Gamble. The members of the Council of Profit Sharing Industries believe that there is no undertaking to which profit sharing cannot be applied provided it is done with care, judgment and sincerity and not for some ulterior purpose.

On the chart at the top of page 8 it shows the pension plans, bonus plans and profit percentage plans and the decreased turnover in labour and the increased efficiency of the profit sharing organization. On page 9:

If the government of Canada were to conclude that the initiation of profit sharing in industry was in the interest of Canada, then this could be achieved in a variety of ways:

(a) By the members of the government bringing the topic forcibly before the Canadian business public and indicating that the Government of Canada was prepared to take reasonable measures to encourage profit sharing.

Recently the Right Honourable Sir Anthony Eden, Prime Minister of the United Kingdom, and the Right Honourable R. A. Butler, Lord Privy Seal, strongly urged industrialists of the United Kingdom to consider the adoption of co-partnership or profit sharing plans as a means of developing essential team spirit co-operation between management and labour.

(b) The establishment at the Department of



Labour, Ottawa, of a library of information on profit sharing plans.

Summary

Nothing in these submissions is to be taken as suggesting that profit sharing is an alternate for good management, good foremanship, good machinery, adequate working capital or any of the other necessary ingredients of success in business. However, we do suggest that Profit Sharing makes of good management, better management.

Most experienced industrialists now realize that an industry which attempts to make its human element a part of a machine is doing something which ought not to be attempted. Human beings are human beings. They need leadership, they want leadership, and will have leadership. They want as leaders, men whom they can admire and trust.

Members of the Council of Profit Sharing Industries can never forget the words of the late C. W. Sherman, Chairman of Dominion Foundries and Steel Company Limited, Hamilton, who, in discussing the success of Dofasco at Profit Sharing expressed it as follows:

"It is true that Profit Sharing at Dofasco has brought me very considerable wealth. However, more important to me than the dollars it has brought me is the feeling as I walk in our plant and on the streets of Hamilton that our employees like and trust me."





Is Profit Sharing worth inquiry? The late Senator Arthur Vandenberg at the conclusion of the hearings of the Vandenberg-Herring hearings referred to in this brief, stated that there has never been a failure of any Profit Sharing scheme, intelligently and sincerely applied. This view is in accord with the experience of those who are familiar with Profit Sharing. It aptly expresses the views of the Council of Profit Sharing Industries.

All of which is respectfully submitted.

THE CHAIRMAN: Thank you, Mr. Lush.

MR. LUSH: Thank you, gentlemen.

MR. GUSHUE: I would like to ask just one or two very brief, simple questions if I may. You still have labour unions in the companies that have adopted profit sharing?

MR. LUSH: Approximately 50 percent of our profit sharing companies have unions; the other 50 percent have none.

MR. GUSHUE: Does the figure for no strikes go right across the industry; in other words, have there been no strikes in profit sharing industries?

MR. LUSH: I would not like to say that there have been none. I don't know of any but I would not like to make the broad statement that in all profit sharing companies -- there are a very large number of companies who practice profit sharing whose profit sharing plans do not meet with the approval of the Council of profit sharing industries because we have a very definite plan and there are some people who state





that they have a profit sharing plan but we do not recognize their plan as being strictly profit sharing although in their opinions they are profit sharing.

MR. GUSHUE: Are the unions generally company unions or do they belong to the international unions?

MR. LUSH: The unions I spoke of to the best of my knowledge, none of them are company unions; they are generally speaking the organized labour unions. When I spoke of 50 percent of them I am speaking in our company, for instance, where we have what we call a Plant Council which could be considered as a union. We had an outside labour union at one time. That went out some time ago but that is no restriction.

MR. GUSHUE: Do you know of any companies that have adopted this and later abandoned it?

MR. LUSH: I do. I was called in on an inquest about a year ago and that company patterned their profit sharing plan very closely on our own company's plan. I spent hours with them in trying to get them on the right track. They had a very excellent performance the first year and the second year they had no profits and if you can give me a moment or two I will tell you what happened. I was called down immediately to see the manager of a plant. He wanted me to go the same day, and I said no, I will go tomorrow. They said, "No, you come right now". It was obvious it was important and I went down and I said, "What is the trouble?", and he said "We have no profits for our employees this year. Isn't that bad?". I said: "What have you done? Have



you kept the employees informed?" He said: "No, they are expecting profits". "Well", I said, "That is bad, you haven't given the employees a chance. What do you think is the reason?". He said, "Well, we blame the group of foremen". I said, "What have you done about them?" -- "We have not done anything". "Well," I said, "That is worse still, what do you propose to do?".

Now, this is a big recognized business company in its field. "What do you propose to do?". He said, "We are having a meeting tomorrow night with this group of foremen and our controller here is going to give these foremen our thinking, going to tell them the fact that there is no profit this year for the employees, and he is going to ask them if they want us to continue profit sharing". I said, "And what do you do if the foremen say no, we are going to drop it?". I said, "Your thinking is so different from mine. If I was in your place I would take all my employees right with me and I would take on my own shoulders every responsibility for everything that has happened last year, because as president of the company I was the man responsible for those employees not being kept informed on what was happening. I am the one man, if the foremen did not do their part that could have done anything about that. I did nothing about it." He said he didn't know that the situation was so bad. Well, it is management's job to know where they are going all the time and that will go down that that company is a failure in profit sharing. Profit sharing never had a chance.

THE CHAIRMAN: Well, thank you very much,





Mr. Lush and gentlemen, we know it is an important subject and it deserves our very careful consideration.

MR. LUSH: I know it will have your careful consideration.

Thank you.

(At 12.30 P.M. the Commission adjourned until 2.30 P.M.)

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A F T E R N O O N                      S E S S I O N

APPEARANCES:

Mr. Gerard Picard, President,  
Canadian and Catholic Confederation  
of Labour.

Miss Gladys J. Sharpe, President,  
Canadian Nurses' Association and  
Director of Nursing,  
Toronto Western Hospital.

Miss M. Pearl Stiver, General  
Secretary-Treasurer, Canadian  
Nurses' Association.

Miss Dorothy M. Percy, Chief  
Nursing Consultant, Department  
of National Health and Welfare.

Prof. V.C. Fowke, President,  
Canadian Association of University  
Teachers; University of Saskatchewan.  
Prof. E. R. Scott, McGill University.

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THE CHAIRMAN: Well, Mr. Picard, we are  
delighted to welcome you to these proceedings. We  
apologize for being late. In welcoming you I would  
like to take this opportunity of saying how grateful  
we are to you and your organization for allowing leave  
of absence to Mr. Maurice Sauve to serve on the staff  
of this Commission. He has been a great help to us and  
we are very grateful indeed. If you would like to  
proceed, we will get underway.

MR. PICARD: Well, Mr. Chairman and  
gentlemen of the Board, I think that first of all I  
should explain that our own organization, the Canadian  
and Catholic Federation of Labour recognizes your Royal  
Commission as a very important body and we all know  
that you are working very hard to see what should be  
the prospects for the next 25 years and no doubt  
according to all the briefs that have been submitted



to your board you will be in a position to give a certain number of conclusions that will be of very great interest for all Canadian citizens.

Second, I think I should explain also that if our own organization has not prepared or worked out a written brief it is because we have to hold a plenary session of our own organization some time next week and some of the matters that are more contentious will be discussed at that meeting. So I am sure that you will understand if there is no written brief it is because I feel that if a written brief had been submitted to your own Commission it would have been submitted with the approval of the organization as such.

MR. LUSSIER: You mean the next one?

MR. PICARD: Yes, but, on the other hand, there are some matters on which the organization as such has taken stands and I will be ready in a few minutes to explain what we may have in mind on certain matters that are within the scope of your jurisdiction.

I think that probably your board may have in mind or at least some of the members may have in mind to put some questions in connection with the labour organizations in Canada. I can tell you that our organization is studying very carefully the Canadian Labour Unity. We realize that there are a certain number of alterations on which some day we will have to take a stand but so far all those alterations will be studied not only





at the next plenary session held in Quebec City next week but also at our next Annual Conference in September. So I think that it is a little bit early for us to say what will be the stand of our organization but at least I can say this, that we feel that we are all Canadian citizens. We realize that there are certain characteristics throughout Canada. We realize also that in Quebec Province while generally people are French speaking citizens and in other provinces they are English speaking citizens, we are not against the other provinces as far as our organization is concerned.

We feel that there is room for co-operation and we feel that there is also a purpose that can be achieved -- I don't know when, but some day in connection with the Canadian Labour Unity and the Canadian labour movement. There are so many alterations that may be raised in that connection that I am not today even if I may have a personal opinion in that connection, I don't think that today I should make any statement on behalf of the organization I have the honour to represent.

Secondly, I would like to make a few comments in connection with that subject matter of automation. I think that I might say that not only myself but even our own organization is not against automation as such. We are progressing. We realize that this is something that will be achieved within the next 10 to 15 or 20 years from now but what we are afraid of is not automation -- what we are afraid of is that governments -- and I am not talking about



any government in particular, I am not talking about the Ottawa government, provincial government or municipal government -- but what we are afraid of is that when automation will be achieved even if it is only in 10, 15, or 25 years from now, we are afraid that governments will not take the necessary steps to settle a certain number of problems under their jurisdiction coming from the achievement of automation and I mean by that if automation is to be achieved some day -- and we feel that it will be some day in the future -- the first point we should take care of is education first.

I realize personally that a certain number of trades in the industry will be probably in the hands of engineers or in the hands of people who before their apprenticeship will have to get at least high school education or the twelfth year in our own system of education. Otherwise, I think that most of them will not be accepted even as apprentices if they have not first the necessary education for that and even today we realize that there are some trades for which the workers will not be accepted as apprentices except if they have at least the necessary elements of education to follow the apprenticeship schools and so on.

If I may give an example because when I am talking about automation I am talking about industry -- I am not talking about the retail trade or teachers or services and so on. Especially in industry probably that is the field where automation will be put in force first. If I take, for instance, the pulp and paper





business I realize that there are a couple of jobs there that are called boss machine tender and machine tender. Those are the top jobs in the paper machine department in any of the pulp and paper mills. I know, and I am sure that you know that in certain pulp and paper mills electronics are there on some of those paper machines actually. I know personally they are and that means at the same time that if in the past because an apprentice was the son of a machine tender or or a boss machine tender he had the chance himself to become in a few years a machine tender and boss machine tender, that will not be the situation tomorrow because tomorrow they will have to be educated for that and they will have to be qualified for the job and more qualified than today and this will be a consequence of education.

I repeat I am not afraid of that but I repeat also that we feel that there are certain remedies that should be made to meet the requirements of tomorrow in industry. So first in connection with automation I put that question of education. Second, leisure. I think also that if some day because of the speed of production workers may have to work roughly 30 hours a week, I don't mean tomorrow or 1957, but I mean tomorrow in a few years from now.

MR. LUSSIER: How many years from now?

MR. PICARD: Let us say between 10 and 25 and that means not in all industries -- in a small certain number of them especially in mass production industries. So that means that if a worker has to work only 30 hours a week he will have to spend his



time out of the plant. If he is educated to become a good apprentice, a good tradesman, a good engineer and if through education he has access to, if I may say, general culture, I think that he will use the leisure time for the benefit of the country.

Secondly, social security, because with automation people have to be more educated and on the other hand if you can get your national revenue and your production only from a certain number of employees by comparison to the total number of employees we have now, I mean by that that if you have a plant where you have today, let us say, five thousand employees and if between 10 and 25 years from now it is possible to get the same production with only one thousand employees, that means you will have to have a look at social security also and it means at least to me that if I take the Old Age Pension we realize that in Canada actually those Old Age Pensions are paid from 70 years of age without means test and from 65 to 70 with means test, and we all know that the international recommendation in that connection, I mean a recommendation made by the International Labour Office in Geneva is that old age pensions should be paid to women at 60 and to men at 65 and without means test. That is something to be thought over here in Canada in connection with the future.

MR. GRAUER: That covers contributory benefits, though, doesn't it? It doesn't mean an automatic pension to everybody at the age of 65.

MR. PICARD: I am talking now about the





social security scheme. I mean the legislation, but I agree, Mr. Commissioner, with you, that we will have at the same time to see how the private pension plans have to be taken care of in connection with social security and if I may in connection with that question say this -- we all know, I think, that the government annuities so far are provided to have pension plans up to first the annuities and then an agreement with any insurance companies. That is very frequent. It is not the only scheme that is in force but it is frequent here in Canada.

If you take the same subject matter in connection with the manpower mobility, for instance, that means that some day there should be an extension of the government annuities and so an employee who is covered for a certain period of time by a private pension fund, if he resigns, if he is fired, if he is sick, if he has an accident and cannot come back to work in the plant, he should have an opportunity to take the reserve made in his name in any private pension plan and try to see how he can be protected by the government annuities not according to the actual plan but according to a plan that should be higher than the actual one.

Actually you could be covered up to \$1,200 a year. A few years ago there was an appeal asking to increase that \$1,200 up to \$2,400 a year and on top of that I am not prepared to make any practical suggestion today but I think that if we have to discuss the mobility of manpower on the one





hand and the pension plans on the other hand, we will have to see how that can be worked out and actually it can be. I don't know really what should be the proper answer to that but I realize that there is something there that should be studied very carefully.

If I take the health insurance, I can tell you that our organization is in favour of a national scheme of health insurance. As to the details, well we feel it is possible in a national scheme to have the provincial authorities subsidize or administer the plan but also we are ready to discuss all those details as soon as we know exactly what the plan will be, but as a matter of principle we are in favour of the health insurance on a national basis.

Thirdly, the housing. It is always in connection with automation. I mean by that if we have to get automation we should be in a position to cover a certain number of matters and to settle a certain numbers of problems that will arise from the application of automation -- education, social security and housing, and when I am talking about housing I have in mind the question of all the wage earners that are getting less than \$5,000 a year. Generally, those people are not in a position to get a home. They have to be supported and I don't think that there is any better way for the future than to have the support from a part of the national revenue that will act on the individual. I don't want to discuss what will be the share of any of those governments but I feel that as far as the housing is concerned it is not possible --



and I think the experience has been demonstrated -- that it is not possible on a private basis to settle that question of housing and even if a couple of suggestions that I will make seem to be a bit generous I feel personally that the housing laws as they are in our country should be amended so that in each province the legislation should be applied in co-operation with the federal legislation in the same subject matter -- housing.

Actually, we realize, for instance, in Quebec that if a wage earner is trying to get support from legislation, whether he is trying to get a loan, whether he is getting a reduction of the interest rate and so on, that is not enough for most of the interested people. But if there would be a little more co-operation between the two governments I think it would become easier to settle that question of housing and I would even venture to say that I feel that the federal authorities should also pay a part of the interest rates in connection with housing. I mean by that that after all the computation of the federal authorities in connection with housing will be approximately 3 percent of a loan that they will try to get for housing.

I agree that people who are getting loans for housing should pay the full amount of their loan but at the same time where they are stuck for a certain number of them is because the interest rates are too high.

MR. LUSSIER: You mean the capital not the interest.

MR. PICARD.: The interest. They will have





to pay 100 percent on their loan or debt. I agree with that. But I think that if we have to do something we should put the people in the position to get their home and they can't now, most of them, because they have not got the money, first to buy their own land or place or to pay the first expenses and on top of that even if they get a loan they have to pay interest rates and so on so we feel it is not possible for most of the people to meet those requirements. So in connection with automation I put before you that we are not afraid of automation but we feel that there are certain problems that should be taken care of, should be studied very carefully and that will be very closely connected with the automation problem. If in this country we try to settle those questions of education, of social security, of housing at the same time that we realize that automation will come in the mass production industries, that is something to be thought over at once to my mind.

Second, in connection with trade, our organization is in favour of the policy of the federal government in connection with GATT, the tariff and trade agreement but on the other hand and as a matter of policy we are in favour of free trade on a Canadian economic policy but as we realize that free trade in itself is not actually a solution because of other countries that have various economic policies, well, the answer for us is this -- free trade should be to a certain extent protected by certain measures and those measures that I cannot enumerate here -- I am not qualified for that --



should be in connection with the measures taken by other countries. It all depends on their own economic policy.

THE CHAIRMAN: Free trade plus a customs tariff.

MR. PICARD: I will specify those plus qualities.

MR. LUSSIER: Instead of tariff?

MR. PICARD: Yes, instead of tariff and let me explain. You see, in the United States you have a lot of restrictions in tariffs. They are all there whether through legislation or regulation and generally the economic policy of the United States is for the protection of the United States interests, not of the Canadian interests and that does not mean that I am against the United States -- I am not against them but I have to realize that if they have found out a certain number of exemptions whereby they are protecting their own interests, that is something that Canada has to keep in mind.

In the United Kingdom instead of tariffs and regulations, while they have tariffs, no doubt about that, in a certain number of cases they have put in force the "quota system". If I take the paper business, newsprint, paperboard, etcetera, their quota is up now over the last few days, but they check their quotas, the production they need and that does not mean that they were against free trade. In Canada here, we have tariffs and dumping laws, etcetera, but it seems that in practice tariffs at least to my mind should not be there. Our





Dumping Act connected with whether European or Asian or German cost means nothing and we feel also that even if the Dumping Act was amended to have as a basis the Canadian cost we are not so sure that that would be the answer because we feel that if there is an Act through which the protection of Canadian interests are based on tariffs or dumping or cost whether Canadian or foreign, it does not seem that this is a control. I mean by this that it seems to us that it is impossible in practice to have the Canadian or the foreign cost. That is too complicated a matter to be the test for the protection of Canadian interests. It seems to us that it would be very simple if there is, for instance, in Canada, let us say, half a dozen industries that have for the time being to be protected against all the policies of a certain number of other countries, it seems to us it would be more simple to have quotas and so in instead of trying to get the cost of everything that is very complicated. Instead of getting a lot of regulations and red tape and so on, instead of trying to get higher tariffs, instead of trying to get dumping Acts more severe, and so on, we feel that this is not the answer. We may be right or we may be wrong but we feel that this is not the answer. We feel the answer should be as a matter of Canadian economic policy free trade, as a matter of quantities and as the responsibility of the government to see whether quotas should be put in force. It all depends on a certain number of interests and I am not qualified at all to take up any of those matters except to make the general observation as I am trying to do.





THE CHAIRMAN: You have dealt with the principle.

MR. PICARD: It is a matter of principle, otherwise, I will have to go into a lot of details and I am not qualified for that.

MR. LUSSIER: But in passing you are suggesting quotas instead of tariffs?

MR. PICARD: Yes, instead of tariffs and dumping.

MR. LUSSIER: But tariffs get revenue for Canada; a quota does not.

MR. PICARD: Yes.

MR. LUSSIER: On the other hand you say there should be much more welfare, security and so on so we have to find some way to get that money at the same time.

MR. PICARD: Well, if you get your protection, if you get more employment, if you are checking by quotas all the other goods that are coming from outside, I think you will have the revenue for that.

MR. LUSSIER: You mean goods coming from outside without tariff?

MR. PICARD: No. You see, I was much impressed by that question of the newsprint and paper Board in England. During a certain period of time in the United Kingdom they say: "Well, you will not import here more than such a number of tons of newsprint and paperboard. Because we need United States dollars you will not go further than that". And when they get a number of dollars they need, their answer is:



"Now, this is the end of the quotas". Since March 1956 there is no more quotas in England for newsprint and paperboard. They are all now trying to get contracts for the number of tons they can get and it seems to me that is very simple, very simple. Instead of trying to evaluate all the goods and so on you pay something for all that red tape. Don't forget that.

MR. GUSHUE: Raise your revenue by direct taxation rather than tariffs?

MR. PICARD: Yes. If within the country you have the policy of full employment. And the last point I would like to raise .....

THE CHAIRMAN: Just so that Mr. Lussier won't think this is completely simple, there is one little problem about this. We were discussing rubber footwear the other day. If there was a quota on rubber footwear and you could bring in so much and the man who was able to bring it in would have such an advantage there would be some problems, not insurmountable but some.

MR. PICARD: I will agree, but in the boot and shoe business it all depends on the section you are dealing with. If it is with the men's footwear or women's footwear or children's or rubber and so on, that will be different. So it will be up to the negotiators of the trade department to take up that matter with the various governments they have to deal with. Personally I can't.

Now, the last matter if I may, Mr. Chairman, is in connection with natural resources in Canada and





raw materials. I would like to raise the question that our own organization feels that more and more our raw materials should be processed here more and more. We realize that this is not possible tomorrow because when you are looking at business and when you realize that actually in Canada you have roughly 60 percent of our exports which are raw material or only partly manufactured and when you realize that you only have 40 percent of exports that are goods, whether fully or generally manufactured, that means that actually there are about 60 percent of Canadian exports that are made out of raw materials or partly manufactured goods. So we feel that as a matter of policy Canada should take the stand that the raw materials should be more and more processed here. We agree that in some cases probably that will not be too easy. It all depends on a lot of trade agreements, but as a matter of policy we feel that that should be the policy. If we cannot bargain on that basis in all the actual agreements as a matter of policy we are looking at the future for the processing more and more of raw materials on our own here in Canada. It seems to us that would be the sound policy.

Those are the remarks, Mr. Chairman and gentlemen of the Board, that I had in mind to make before your Commission and even if there is no brief, I tried at least to make those observations to express the views of our organization on that question of automation and social security, housing and education, and personal views as to trade and natural resources, not because the organization is against that expressly in connection with



natural resources -- they are in favour of that -- but all I can say is that generally in any labour organization you have certain trade unions which are represented possibly in the boot and shoe and rubber industries and others -- aluminum, asbestos and a lot of raw materials -- and they have not exactly the same views in connection with trade, for instance, but on the other hand they agree that if we can find a solution after having established what should be the general policy for Canada, well it seems to me that they will be satisfied and at least as far as I am concerned I tried to express as honestly as I could the views that I had in mind in connection with those subject matters I tried to deal with.

THE CHAIRMAN: Well, thank you very much, Mr. Picard. We are grateful to you for coming and giving us the benefit of your views and we fully appreciate that it would be difficult to put in a brief, as you explained at the beginning, when your organization is meeting in plenary session in Quebec next week and perhaps they will have some things to discuss on that at that session -- I don't know.

Then you mentioned that again you would be having your annual meeting in September, but we are most grateful to you for giving us your own views on the subjects which you have discussed.

There is only one question I would like to ask. Sorry that Mr. Lussier is not here. In answer to his question, you suggested that within 10 or 25 years, the people in the mass production industries might be on





a basis of a 30 hour week and you suggested that if the educational system was adequate that they would be interested in cultural subjects and would be able to find lots to do for the rest of their time. But in practice is it not a fact that they get other jobs, a good many people, at the moment?

MR. PICARD: Actually yes.

THE CHAIRMAN: And they are more tired as a result of reducing the work week than they were when they didn't have time to do other jobs?

MR. PICARD: That is right today but in an economy where you will get the production only within, let us say, 30 hours a week, then even if they are trying to get other jobs in side lines and so on, they will get it.

THE CHAIRMAN: I know in my own business we are on about a three day week because on Friday everybody is working up to going away for the weekend and they work harder on the weekend than they do during the week and on Monday they rest up and we have Tuesday, Wednesday and Thursday and we get the work out just the same.

MR. PICARD: This is not the case in all the mass production industries where they have to be sure and where they have to spread out.

MR. STEWART: How about the do-it-yourself industries? I can almost see the time when people are so little engaged in their normal activities which are organized that most of the work will be done on a dis-organized basis, a do-it-yourself basis.





MR. PICARD: You see, if 25 years ago it was possible to get the actual production in 80 hours a week and if today you can get the same production in a week of 40 hours, that means that if there is some more progress no doubt you will get the same production in less than 40 hours a week and it is not on account of the fact that people are trying to get a reduced work week; it is because they will realize that if they are getting more than a 40 hour week or even less than that with progress they will be unemployed for a certain number of months during the year and that is why you have all these unions.

MR. GUSHUE: Mr. Picard, I wonder if you would like to give a summary of your views as to the essential features of good labour-management relations.

MR. PICARD: Well, I think that the key to collective bargaining is good faith. That is the first point. Then, legislation should be the proper one, that is the second point. Then, third, I think that there should not be all those restrictions we know of now in that field of collective bargaining, and fourthly I think that even the conciliation should be voluntary and I think that arbitration should be voluntary and it is up to the parties if they can pick up the right man for such a job it is O.K. with me but I don't like to see any legislation interfering with that because to my mind collective bargaining, conciliation and arbitration are all in the same process and the only thing we are asking for the legislation is to have the proper legislation, I mean the proper way, the right to organize, the right



to collective bargaining, and all those points. I agree they should be in education.

MR. GUSHUE: I think you used the word "voluntary" before collective bargaining?

MR. PICARD: Oh, yes, the experience is that when, generally speaking, a conciliator or arbitrator is picked out by a government he may be the right man but generally not.

THE CHAIRMAN: Well, thank you very much, Mr. Picard. We can assure you that we shall watch the reports of your proceedings next week with a great deal of interest.

--- Recess

--- After recess

THE CHAIRMAN: Well, Miss Sharpe, Miss Stiver and Miss Percy, we are delighted to have you present a brief to us. My colleague Mr. Lussier asked me particularly to apologize for the fact that he was not able to be here but he said that he would be reading your brief with much interest and would hear our comments upon it. We will mark it Exhibit 267 and if you would like to proceed, we are ready any time.

MISS STIVER: Thank you very much, Mr. Chairman and gentlemen of this Royal Commission. It is a privilege to speak to the submission of the Canadian Nurses' Association to this Commission on the economic future of Canada.

In reviewing this presentation, one is struck with the similarity of problems of nursing 25 years ago which Dr. Weir outlined in his study of nursing with





those which we find today.

There is, of course, one great exception -- namely, unemployment among nurses.

Otherwise the problems which Dr. Weir outlined are still with us.

In connection with standardization of programmes of nursing education, Junior Matriculation has been established as an admission standard in all schools of nursing in Canada. There has been great improvement of residence accommodation and teaching facilities. However, there is still great variance with respect to curriculum, clinical practice and qualifications of teaching personnel.

The problem of financing schools of nursing which Dr. Weir presented has not been solved. Hospitals as well as nurse educators are concerned regarding this because the maintenance of the school of nursing adds to the already high cost of hospital care to patients.

It is interesting to note (Page 4 of brief) that the cost of preparing a professional nurse was less in the two experimental schools of nursing than it was in the control schools -- which were the hospital schools of traditional three-year training. True the student paid in the latter by providing service but the total cost in terms of dollars and cents was greater.

Another point which is striking appears on page 6. While the number of registered nurses in Canada has trebled in the last 25 years the number



employed in hospitals is ten times as great.

Dr. Weir would have been gratified with this because he made the statement that hospitals should assume at least 50 percent more responsibility for the nursing care of patients.

This increase in the number of registered nurses employed in hospitals signifies a higher standard of nursing care to the sick in hospital. Hospitals now provide professional nursing service where previously the nursing care was almost wholly provided by students.

That the present supply of nurses is inadequate to meet the nursing needs of our nation is evidenced by the situation in mental hospitals. On Page 9 reference has been made to the very few registered nurses employed in the psychiatric field. The need in mental hospitals is not the whole picture. More and more it is realized that the public health nurse and the nurse in industry could and should be playing a much greater part in mental health programmes. The district nurse who, day after day, month after month, either visits the home or has contact with the family in school, clinic, or industry, surely is in a strategic position in the early recognition of mental illnesses. Realizing the possibilities of nursing service in this area, one hesitates to state needs in terms of figures realizing how far short one might be.

Carrying the place of the nurse in the district one step forward one is led to consider the possibilities of hospital home care programmes.

Experiments in hospital home care plans





have demonstrated that much needed hospital beds can be released for more acutely ill patients and at the same time provide the convalescing and chronically ill patient with the security of home environment. Inherent in home care plans is the visiting nurse providing nursing care to the patient in his own home.

Industries and business are finding that the nurse plays an increasingly important role in the occupational health programmes. The nurse then in hospital and out is an important health worker.

When one considers the demands for nurses in the expanding health programmes for an increasing population -- two questions come to mind --

(1) Where can we find sufficient numbers of nurses?

(2) How can we be sure that they will be equipped to give the best possible nursing service to our Canadian people, and indeed, to other peoples as well for Canadian nurses are in demand in international health programmes also?

With respect to numbers, one views with concern the small percentage of students completing high school. If more students could be persuaded or enabled to continue high school the nursing profession, as well as other professions, would benefit by a larger pool from which to draw recruits.

A careful study of functions of persons engaged in health and healing arts insures better utilization of all existing personnel. Not only are there duties which could be provided by less skilled





persons but as well nurses are sometimes engaged in duties which should be done by other personnel with special skills in other areas than nursing.

That more and more nurses will be required as Canada's health programmes develop is foretold in the ratio of nurses to the population over the past 25 years. On page 11 of the brief:

In 1931 there was one nurse to 576 persons in our population and unemployment among nurses.

Today one nurse in every 286 persons and we need more nurses.

The demands for the services of the nurse are increasing.

Inherent in demand for health services is the demand for nursing service. Inherent in demand for nursing service is demand for an increasing high standard of nursing care.

The qualitative as well as quantitative aspects of nursing service then requires consideration. We need to determine not only what the nurse of the future should do, but how she can be prepared to fulfill her function.

To provide this preparation, schools of nursing should be on an educationally sound basis. Experimental programmes have indicated that this is, indeed, the most economical method of preparing nurses.

As well as being more economical in terms of nurse preparation, it was shown that a nurse prepared in the two year controlled programme (of the Metropolitan



School) was as well prepared for general nursing as the nurse in the traditional three-year programme and better prepared for psychiatric nursing and tuberculosis nursing. Whether this nurse is the best nurse to meet future needs of our society is yet to be determined.

Further research in nursing is therefore needed.

As representatives of the Canadian Nurses' Association, we should like to bring before you the closing section of this Brief -- pages 16 and 17.

Major Needs in Nursing with respect to Economic Future of Canada -

Research is needed -

To determine what are the needs with respect to nursing of the present and future health programmes for our people.

What personnel will be needed.

Best and most economical ways of preparing the necessary personnel. Also we need to look at our present programmes and evaluate them in the light of present developments and progress of medical science.

Financial assistance is required:

First to obtain or prepare people to do this research, and for the research itself.

Besides truly educational programmes for nursing -

Qualified students wishing to enter schools of nursing should not be hampered by insufficient





funds. Accordingly, bursaries and scholarships should be provided to enable students to pursue nursing as a career.

Similarly, nurses who have the qualifications to assume positions of leadership should be enabled to pursue advanced study. In this regard many nurses have already received assistance through government grants and organized nursing in Canada here wishes to record appreciation of this assistance.

Thank you, gentlemen.

THE CHAIRMAN: Thank you very much,  
Miss Stiver.

MR. STEWART: Are the Windsor School and the Toronto Western School still continuing?

MISS SHARPE: I would be glad to speak on that, Dr. Stewart. The experimental programme which was implemented and carried out there through a five year period was launched in 1952 at Windsor. A new programme was established in that school as a hospital school of nursing a year ago last September following, as they say in their brochure, the pattern of the Atkinson school of nursing at Toronto Western Hospital.

MR. STEWART: I am not quite sure what these cost figures mean. Perhaps we can go into them in detail. I presume in the case of a three year programme that the very small honorarium the girls get would be included in the programme and the salaries of the graduate nurses would be included in any case in order to make it comparable?



MISS SHARPE: I believe that is correct, Dr. Stewart.

In speaking of the programme with which I am quite familiar, the cost of two years you will note on page 23 of the Wallace report. It indicates a breakdown there between education and maintenance with the educational cost at \$584 per student per year which is partially offset by the return she makes in nursing service. The room and board of \$718 is not offset; in other words, the two figures, the total figure of \$1,302, includes the figure for each of those two years but it does not take into consideration the third year at which time the student becomes a junior member of the nursing staff and receives a salary.

MR. STEWART: On page 5 I see the statement:

"On the other hand, the student may give service beyond the value of her education, in which case her education is of secondary importance."

I am personally inclined to believe that the student certainly gives service beyond what she is paid for but I wonder if that is quite a correct statement. Provided that one is willing enough, even if she is giving service beyond the value of her education, perhaps it is because she is not paid enough rather than that her education is of secondary importance.

MISS SHARPE: We believe that when a student is a student she should be on student status and there should be no consideration with respect to service; in other words, any service which she gives





should be in direct ratio to whether or not that service is forwarding her education at that period. Therefore, if a school of nursing -- or I will put it another way: if a hospital is gaining by having a school of nursing, having students in service, then that hospital is not providing an educationally sound programme. If it is making money from its school it is not providing an educationally sound programme. It cannot make money and at the same time preserve the student status.

MR. STEWART: I would like to discuss this ---

THE CHAIRMAN: Will we lose money on it?

MR. STEWART: On page 5 you have a census of nurses. Are there nursing aids, common to all provinces, and ward aids?

MISS SHARPE: There are, sir.

MR. STEWART: They represent really an addition to the graduate and qualified nurse strength? You refer later to the team concept and they are part of that, are they not, so when you think of nursing service you really have to take them into account as well?

MISS SHARPE: Yes.

MR. STEWART: I notice a reference to a 44 hour week on page 6. Are other provinces less civilized than Alberta where we now are down to a 40 hour week?

MISS SHARPE: I think that is correct. The 44 hour week is general in provinces east of Alberta.





MR. STEWART: There is only one other question. I notice on page 13 a figure I had a little difficulty in reconciling:

".... we may anticipate an enrolment of approximately 8,000 students in schools of nursing."

I wonder if that figure should not be enlarged. I see in the table at the back we had in 1955 16,806.

MISS SHARPE: Yes, that should be an annual enrolment.

MR. STEWART: That is increasing?

MISS SHARPE: Well, the annual enrolment of 8,000 when used with the entrance enrolment, that is right.

THE CHAIRMAN: Well, we are very grateful to you. Thank you very much indeed for making this presentation. If I may, I would like to congratulate you on packing so much into a brief with so few extra words.

Thank you very much.

--- Recess

--- After Recess

THE CHAIRMAN: Well, Dr. Fowke, it is a great pleasure and somewhat unusual when we can get anybody to come back twice and so we are particularly pleased to welcome you here this afternoon.

DR. FOWKE: Thank you very much.

THE CHAIRMAN: We will mark your submission Exhibit 268 for the record and if you would like to go ahead, we are all ready.



DR. FOWKE: Mr. Chairman and Commissioners, with your permission, I think I shall sit down.

THE CHAIRMAN: Yes, certainly.

DR. FOWKE: We are appearing today on behalf of the Canadian Association of University Teachers, and for the record I should like to introduce myself and my colleague, just for formal purposes. I am Vernon C. Fowke, Professor of Economics at the University of Saskatchewan, Chairman of the University of Saskatchewan Faculty Association and President of the Canadian Association of University Teachers. I have associated with me today Mr. F. R. Scott, Professor of Law, McGill University, a member of the Canadian Association of University Teachers and past president of the McGill Association of University Teachers.

We appreciate the opportunity of appearing before you, Mr. Chairman, and we particularly appreciate your co-operation in re-arranging our date to suit better the convenience of some of us who have had to come a considerable distance. Our brief has been in your hands for some time in mimeographed form. We welcome the suggestion that it be presented in summary fashion today in the interests of saving time.

Before turning to that, however, I should like to point out that since presenting it to you originally, we have had the brief printed and I have left ten copies of the printed version with your secretary. The printed copy is identical with the





mimeographed copy except that we have now given the study a title "The University Teacher and the Crisis of Higher Education in Canada" and we have corrected one or two minor clerical errors which we discovered in the interval.

I inquired about this matter and it was suggested to me that you would prefer to work from the mimeographed submission and that is what I propose to do today and with your permission I should like to make two minor corrections which will appear correct in the printed copy but are in error in the mimeographed version which you have before you.

On page 9 this is simply an error in arithmetic. The last line in the middle paragraph speaks of 8,200 or equal to two-thirds of the engineering total. That should be 8,200 or equal to four-fifths of the engineering total. I think it is simply an error in calculation.

On page 46 there is one error -- one at least -- which we have found. In the last line of the paragraph which is numbered 2, the words are "by 48 per cent". That should be corrected to read "by 26 per cent".

Turning then directly to our submission, Mr. Chairman, I should like to summarize it as briefly as can be done. In the early parts of this submission we describe briefly the nature and purpose of the Canadian Association of University Teachers and we discuss briefly the work of the members of the Association. The Association is quite young; it is just now completing



its fifth year. It has a membership of approximately 2,000 university teachers and lecturers in Canada and it has affiliated with it 15 local staff associations. The universities at which these associations exist are listed on page 3 and I think it might fairly be stated that with one or two notable exceptions this list includes all of the major institutions of higher education in Canada. The Association perhaps would not pass formally as a professional association in that it makes no attempt at the certification of its members or the establishment of minimum qualifications for their employment, but it is of a professional rather than a social or other nature in that it deals with the conditions of employment of university teachers and research workers.

The purpose of the Association as indicated in its constitution is quoted on page 3 and it simply is to promote the interests of teachers and researchers in Canadian universities and schools and advance the standards of the profession. The Association is interested, I think we might say, in everything that makes it possible for university teachers and researchers to do a better job in the universities. It is then, I think we can say, concerned with conditions of employment in the broadest sense in which that term can be interpreted.

As for the proper work of the members of this Association of university teachers and research workers, this, of course, is a matter for endless discussion and we have dealt with it only briefly





in the brief and I shall not go into the details even of that restricted treatment here.

On page 8 we have presented a tentative outline of the various fields in which university teachers and research workers normally find their field of endeavour -- some in one, some in another, some cutting across a number of them -- and that outline is put in simply by way of a tentative suggestion. It may not be complete. This, I should say, is an area for further study but it is not particularly of concern here.

The members of this Association work ordinarily with university students and on page 10, Table 1, we have included a classified list of the full time enrolment reported in Canadian universities and colleges in the years 1952, 1953, 1954 and 1955. This is simply by way of suggesting the types of students, the types of teaching work and perhaps something of the research work with which our membership is concerned.

From that table it can be calculated that in the year 1954-55, for example, 42 percent of the students reported as enrolled in Canadian universities and colleges were enrolled in the Arts and Science courses. Unfortunately we have not a proper separation between those two. 50 percent of the students were enrolled in the professional courses.

The Canadian Association of University Teachers is not concerned to set one discipline against another. Now, I am turning to page 11 to follow up this analysis.





This association is not concerned to set one discipline against another as more fundamental or more exacting or more worthy of public attention and support than the others. There are points to be made, however, with which the members of the Association are bound to be in general agreement.

First: among the many useful and even essential functions of the Universities, particular care must be exercised to assure that adequate attention be paid to those which otherwise would not be performed at all. Second: the sanction of the market place can never be accepted as an adequate guide to the proper allocation of the limited human and material resources which are available to universities. Third, and finally: constant care must be exercised to assure that advanced education be not mistaken for higher education.

And if I may read on for a paragraph or two with your permission, it would perhaps be better than if I were to summarize.

First, much of the work carried on by universities today would not suffer seriously from neglect if the universities were to abandon it entirely; other work, if not taken care of by the universities would either not be done at all or, at best, would be done most inadequately. If forced to do so, private industry, professional associations or governments would make other arrangements for certain types of essential services rather than see them lapse. These services may or may not be better performed by the



universities than by these other agencies. In any case, there is no intention here of suggesting that present-day university functions be either expanded or curtailed. It is felt to be of the utmost importance, however, to call attention to the existence of functions of vital importance which, in contrast to those referred to above would, if neglected by the universities, be in sorry plight indeed. They would find other patrons with the utmost difficulty. Chief among these are fundamental research in all branches of learning, philosophical speculation, creative effort in the fine arts, instruction and investigation in the humanities, and purposeful contemplation.

President Sidney Smith of the University of Toronto puts the matter in a slightly different way:

"If every professional school were stripped from the university, it would still be essential to our country and civilization for it enshrines and inculcates liberal education, that is, education for freedom -- freedom under the law, the priceless heritage of western civilization. No institution stands for that more firmly than does the university, and I do not even except the church."

The caution concerning the inadequacy of the market place as a guide to proper emphasis among university functions requires no elaboration. It is closely allied to the point dealt with immediately above but merits separate mention.





As for the third point, students ordinarily begin to take part in university education after three, four or five years of high school instruction. University education is therefore typically "advanced" education in terms of educational sequence. It nevertheless may or may not qualify as higher education. Although extremely difficult to define, it can be asserted that the single prerequisite of higher education is intellectual content and that to qualify as higher education a class or course ought to be of such quality as to demand from student and instructor alike the exercise of imaginative intelligence. Teachers and research workers must continuously be alert to insist that the limited financial and human resources which are made available to the university community be reserved for the furtherance of higher education.

And one final paragraph on this subject at page 14.

Whatever the range and proportions of university service decided upon, certain prerequisites exist with reference to teaching and research staff. These are that university administrations must be free and financially competent to recruit personnel in adequate numbers and from among those best equipped for academic tasks by training and natural endowment. This implies nothing more nor less than the ability of university administrations to provide conditions of employment on a level competitive with those available to private industry and government services for



persons of comparable ability and training. Like workers in other walks of life, university teachers consider annual salaries an important but by no means exclusive factor in their conditions of employment.

I shall simply refer to the next section which outlines the enrolment percentages in Canada for Canadian universities and colleges. These have already been called to your attention and there is no point in taking further time with them. According to the best information available the university population may be doubled within a matter of ten years and I note the additional estimate introduced by the National Conference of Canadian Universities, that the number may be trebled, as I recall, <sup>by</sup> the year 1972.

This enrolment prospect creates problems in terms of capital requirements and in terms of personal requirements. The chief concern of this Association, of course, is with the latter. The view of the Association is that serious as is the problem of procuring adequate capital by way of buildings and equipment to take care of the anticipated influx of students, the problem of providing adequate personnel qualitatively and quantitatively, is as serious and much more likely to be overlooked. Two points may be noted here -- the first that there seems no evidence to suggest that universities and colleges of Canada are over-staffed today and the second point the Association would make is that efficient university teaching personnel cannot be quickly increased in numbers.





The first university degree provides the completion of formal training for I think we may say, most of the activities in which university graduates find employment, but for university teaching and research the first university degree constitutes simply the starting point for advanced and specialized training. The accumulation of efficient university staff is slow as well as a costly business. Canadian universities can be adequately staffed in the seasons ahead only if the conditions of employment of the universities are competitive with those in private industry and in government service for persons of comparable ability and training.

What then can be said regarding comparable conditions of employment? The evidence on this point is not reassuring. As we have mentioned, university teachers regard salary or perhaps take-home pay as an extremely important and perhaps the most important but by no means the only important condition of employment and referring to university salaries we are forced to note that they have decreased in adequacy on two accounts. In the first place, university salaries rose much more slowly than prices over the past 15 or 18 years and in fact have still not risen sufficiently to offset entirely the shrinkage in the dollar since before the war. And the second measure of inadequacy is that while salaries to the present time have risen as nearly as we can tell sufficiently to give university teachers roughly the same real income as they had a generation ago, they have not risen sufficiently to





give university personnel any appreciable share in the productivity gains which have accrued through the past generation or two.

In regard to this first area of inadequacy of university salaries I should like to refer you particularly to Table V on page 27. As a background to that table I should like to remind you that by 1952 the consumer price index had risen approximately 85 percent as compared with the years 1938 or 1939 and it does seem to me that against that figure there might be compared with some qualifications the percentage increases noted in Table V. This table illustrates the well-recognized facts that university salary adjustments of the post war years were more substantial for the lower ranks than for the higher. It also makes clear that none of the ranks in any of the regions of Canada had by 1952 secured salary increases sufficient to offset the inflation of the period and in some of the groups the increases were scarcely sufficient to offset as much as one-half of the shrinkage in the size of the old dollar. I suppose the worst figures there are those to be found in the Maritimes section.

Retirement plans in Canadian universities, with one or two notable exceptions, are at best simply savings schemes in which contributions by staff members, based on a fixed percentage of salaries, are matched in a fixed proportion (commonly dollar for dollar) by contributions from university funds. Such schemes provide no hedge against inflation. Private industry and government demonstrate at the present time an



imaginative approach to the problems of retirement which has long since relegated the Canadian university community to the category of a retarded area in regard to this condition of employment. The generation of Canadian university employees whose tenure extends back into the inter-war years has suffered irreparable loss in retirement prospects because of the inflation of the past decade and one-half.

Inflation appears to have been held but that is not to say that it will not occur again and the ever-present possibility of the onset of another bout of inflation continues as a definite impediment to university employment; with such an impediment an irrational price structure alternative employment must include compensating advantage.

As recently as 20 years ago the Dominion government might with justification have said that the blunt-edged impact of changes in the value of the dollar might very well work unequal hardships upon various groups of citizens, but that the whole matter was entirely beyond its sphere of responsibility. On March 11 next the Bank of Canada will come of age. A responsibility to moderate the variability of price levels has been one of the central functions of this institution from its inception. Spokesmen for the Dominion can still say that the best known devices of monetary management leave much to be desired and that positive control of price levels remains a goal rather than a complete possibility. They would not venture to suggest, however, that changes in the value of the







Canadian dollar continue to take place without reference to deliberate Dominion policy.

11. Failure of University Teachers to share in Productivity Gains:

While salaries of Canadian university teachers and researchers in the early 1950's were inadequate to restore the purchasing power which these workers enjoyed in the late 1930's, there is scattered evidence to suggest that they were approximately sufficient to restore the purchasing power of the late 1920's. To the extent that this is so, the real income of Canadian university personnel is currently equal to what it was a generation ago. Those in positions of responsibility relating to university finance have shown a tendency to take comfort, not to say pride, in this circumstance and to regard it as marking a satisfactory terminal position which it is desirable to maintain but which there is no necessity to improve upon. The latter half of the decade of the 'twenties is properly regarded in retrospect as a period of widespread prosperity in which, it is generally assumed, university personnel shared in reasonable measure. A return to this standard of real income ought surely to represent a major and acceptable achievement in view of the extremity of the economic disturbances of the intervening decades. In terms of the practical business requirements of university management, with reference to the problems of recruitment and retention of quality personnel, a willingness to provide university staff with real income equal to



that of the 1920's ought surely to establish a satisfactory competitive position in the employment market.

The average real income of Canadian workers has not remained at the level of the late 1920's but, on the contrary has risen above that level by approximately two-thirds, or 67 percent.

Table VI sets forth different data basic to this calculation and the table indicates that.

This table indicates that the total monetary income of Canadians quadrupled (an increase of 300 per cent ) between 1927-29 and 1952-54. The increase was accompanied by a 50 percent increase in population and an increase of 37 percent in the labour force. The average per capita monetary income in 1952-54 was accordingly not four times that of 1927-29 but only two and two-thirds times as high (an increase of 166 per cent). Similarly, the average per worker income was not four but slightly less than three times as high in 1952-54 as in 1927-29 (an increase of 192 per cent).

A substantial part of these increases was, however, due to price inflation -- and the remainder of the table makes adjustments as nearly as can be done by existing deflators in order to reduce the monetary income to our terms. The estimate is that the average annual real income per capita in Canada increased throughout the last generation by approximately one-half (52 per cent) and per worker by two-thirds





(67 per cent).

The Canadian Association of University Teachers does not emphasize these comparisons with any purpose of arguing that university personnel deserve or have a right to higher incomes. What anyone "ought to" receive by way of earnings for labour is a question of social and political philosophy, and a problem of such complexity that there would be no purpose in its discussion here. The question of an equitable income distribution is settled in Canada by the consensus of public opinion which sanctions the application of income and other taxes and the maintenance of transfer payments of various kinds. The sole reason for the presentation of the matter before this Commission is to emphasize the implications of relative wages and salaries in determining where people will work.

The Association is convinced that these small inadequacies have been allowed to develop unintentionally. But they have developed as a result of the lack of government to increase its support for higher education either in step with the increase in the demands made by the public upon the institutions of higher education or with the ability of governments to support these institutions in terms of the productivity gain of the community.

Student fees have increased within the past generation to the point where the real burden on the students or their parents is as nearly as we can tell it, the same today as it was a generation ago -- the real burden. Meanwhile, however, governments have





not increased their grants in proportion with the demands. In 1926, for example, Canadian governments provided grants to universities which were more than double student fees, that is, if student fees were taken as 100 and the university grant of that day, 1926 was 237. In 1950 government grants were only approximately 10 percent greater than student fees. Instead of being just over double, they were a mere 10 percent larger. In 1950 and 1951 about one-third larger and then, of course, there was the introduction of federal grants, but even with the federal grants the old ratio of government grants to student fees was by no means reached. This is not to suggest that there is anything sacrosanct about the relationship in 1926 but simply to point out the decline. In 1953 and '54 following the institution of federal grants to Canadian institutions of higher learning, government grants were one and a half times as large as the revenues of student fees in that year.

As for the other conditions of employment some of the presumed advantages of university employment have always been illusory, others have been very real, but those which have been real in the past have been under attack in recent decades, not so much by or perhaps not at all by deterioration of the working conditions of university people but rather by the marked improvement in working conditions in other areas of employment so that relatively speaking the advantages of university employment are much less pronounced today than they were a generation ago and



they tend to become steadily less pronounced.

I suppose what we have in mind here is the whole area of what might be called fringe benefits. We have referred already to the retirement and pension provisions in the area where the universities have not kept pace with the better practice in private industry or in government. There is the question of hours of work and holiday leave. Professors don't work longer than they used to but other people in the community work a lot shorter hours. The five day week has become accepted in private and public service. It has no reality on a university campus and so on through a considerable list of fringe benefits. Very really, I think, that margin of advantage in university employment which existed a generation ago is gradually being whittled down by improvements in the conditions of employment in other areas of industry.

Persons with the ability and training to be accepted for recruitment as accepted members of university teaching staffs have available to them a particularly wide range of options. We are not talking here about the person without training and without any marked ability who still in many cases must simply take the job available -- we are talking about university administration, going into the recruitment market and trying to find any potential members of their staff and they have to bid against industry and against governmental agencies and the people from among whom they are recruiting have the training, they have the ability, they have the maturity in a high proportion







of cases to regard these alternatives objectively and critically.

University employment is a type of employment providing tremendous opportunities for life work. We are not belittling the advantages and desirability of university employment. I am quite convinced that as high a proportion of university teachers as would be found in any other occupation would simply say: "I would not do any other job in the country" but, of course, the point is that this mere attachment to the job, the mere feeling of intense satisfaction in creative work is not limited to university but is found, I think, through an increasing range of public and private employment.

Part V of the brief outlines the need for enlargement of scholarship assistance by the federal government. This is on page 47. I will spend only a minute on this -- there is no need to go into details here. This case was made before the Massey Commission. We have taken some time to outline, to refresh the case for your consideration but I shall not do that here. I think we can say that in no area of university study is scholarship assistance adequate in Canada in terms of the need or in terms of the comparison with other countries of an advanced social philosophy and advanced standard of living. In some areas the inadequacy is less great than in others. That is the best that can be said, I think, for scholarship assistance in Canada.

In the undergraduate field the need is



barely touched. In the graduate field scholarship assistance is given to science students in considerably greater proportion than it is given to students in the humanities or the social sciences.

In conclusion I should like to read a page or two leading up to the recommendations and with your permission, Mr. Chairman, I should like to start and read at the middle of page 64 and continue through to the end, a matter of approximately two and a half pages.

The Association has directed its attention in this submission particularly to an elaboration and emphasis of the problems of securing and maintaining university teaching and research staff to meet the expanding requirements of the next decade or two. University personnel have, on the whole, recovered in recent years a level of real income approaching that of a generation ago. They have not shared appreciably in the productivity gains which have been made available to Canadians in recent decades and which their efforts substantially helped to create. The conditions of university employment, including annual salaries as the central but by no means the only feature of importance, have not been maintained on a level of competitive equality with conditions of employment in private industry or in government service, for personnel of comparable ability and training. Analysis indicates that these conditions have been allowed to develop unintentionally by public and private authorities responsible for the administration of the university price structure, and particularly through the failure of government to extend





financial support to universities in proportion to the public demands which are made upon them.

Retirement provisions constitute a secondary but nonetheless important condition of employment. Inadequacy in these provisions is becoming one of the most prominent disadvantages of employment in universities as compared with industry and government. Income tax regulations as applied to university teachers and research workers contribute to a consciousness of neglect which may be out of proportion to the money involved.

Few subjects have been more persistently before the Canadian Association of University Teachers for serious discussion than the inadequacy in Canada of any assurance that young persons will not be denied the advantages of higher education because of poverty. A substantial part of this submission was devoted to a review of the main points relating to this matter which the Association has considered from time to time. The Association notes Canada's backwardness in this area of social concern and is convinced that its continuance will have a harmful effect not only on Canada's economic development but, of much more fundamental importance, on the social, political and cultural development of the Dominion.

The Canadian Association of University Teachers is of course well aware that the responsibility for higher education in Canada rests primarily on the provincial governments. The statement of the disadvantages which attend university employment and





the pursuit of higher education in Canada is laid before this Commission with the full recognition of this fact. Persons interested in the preservation of Canadian universities for the performance of their indispensable functions must urge upon provincial governments the importance of reassessing the measure of their responsibilities to these institutions in the light of changing circumstances.

Nevertheless the contribution that the universities make to our society has no regard for provincial boundaries. Universities serve the whole nation. The financial assistance which the Federal Government has extended to the universities since 1951 marks a proper but inadequate recognition of the essentially national significance of university services. In view of these facts, and of the conclusions that must be drawn from our analysis of the present problems of these institutions, the Canadian Association of University Teachers makes the following recommendations:

1. That the Federal Government increase its grants to institutions of higher education to a minimum of one dollar per head of population in each province.

2. That efforts be renewed to secure the immediate establishment of the Canada Council as a means of providing machinery for the creation of a scheme of national scholarships.

3. That, since it is ordinarily assumed that the scholarship functions of the Canada Council



will apply primarily if not exclusively at the level of post-graduate training, the Federal Government give careful consideration to the complementary need for undergraduate scholarships with a view to the early establishment of greatly extended financial assistance at this level of higher education.

4. That the Federal Government increase the maximum annuity purchasable under Dominion Government Annuity from \$1200 to at least \$2400.

5. That the necessary changes be made in legislative and administrative provisions to establish equities-type retirement plans within the category of approved pension plans for income tax purposes.

6. That the income tax law and regulations of the Federal Government be investigated with a view to the discovery and removal of specific discrepancies and inequities relating to university employment.

THE CHAIRMAN: What do you mean by that recommendation? Well, perhaps I won't interrupt. I will deal with it later.

DR. FOWKE: Yes, I would be glad to deal with it briefly later, if I may.

7. That the Commission give due weight in its deliberations to the importance to our society of the central function of universities, which is to seek knowledge for its own sake rather than for more limited ends, and that the Commission exert its influence wherever possible to assure conditions under which the universities, by performing this function,





may play their proper part in shaping and sustaining our society.

All of which the Association respectfully submits. Thank you very much, Mr. Chairman.

THE CHAIRMAN: Dr. Stewart, have you any questions?

MR. STEWART: Perhaps I would be allowed to say at the outset that I think university salaries should be higher and like all presidents I am very much concerned about the problem of staffing in the next ten years or so. There is one early comment I feel compelled to make on page 6 where you say:

"....Canadian universities are managed by specialized administrators with but little reference to the opinion of the scholars concerned."

I take mild exception to that. I can think of no other institution in society in which there is more collaboration between all the people involved and certainly in the field of determining the content of university education and the kind of things we are doing. It is almost wholly a staff matter. You will excuse me that remark.

DR. FOWKE: Yes, I will.

MR. STEWART: It doesn't require a reply.

MR. GUSHUE: They were not referring to us.

THE CHAIRMAN: Perhaps they meant the Board of Governors.

MR. STEWART: There are two arguments



which are developed in this brief -- one, that salaries have not kept pace with (a) the cost of living and (b) productivity, that is, that the position of university people generally and relatively has changed. This is largely an equity argument. There is in addition the argument of particular cases. Now, on this argument of alternative opportunity has the Canadian Association of University Teachers any views on the way in which a single salary schedule could be reconciled with the alternative opportunity argument?

DR. FOWKE: That question certainly is one which causes grave concern and there is a temptation to suggest a sort of two-price system as the alternative. We have not, I think, discussed this formally in our meetings at any time but through informal conversation I think I might say that the general view is that if single schedules were two, two and a half or three times as high as they are and if at that level you still could not get certain types of highly skilled people with a high market price then might be the time to consider the two price system but we are so far short of that that the question is really only one of academic interest, perhaps I should say.

MR. STEWART: Well, in the administrative field it is considerably more than of academic concern, I can assure you. There is somewhat a related point which is not touched on in the brief and in referring to it I don't want to imply any over-emphasis of it but there is the question of supplementary earnings and this is another problem which the administrator is





confronted with in the case of a single salary schedule and it does have a bearing on it.

DR. FOWKE: It is very closely tied in with it and I am sure from close contact with the problem in our own university and the knowledge of those of others that that is one of the really difficult questions for the administrator, and I think for staff associations as well. They are all in it together.

MR. STEWART: You have not evolved as a Canadian Association of University Teachers any views on that?

DR. FOWKE: No, I think not. We are considering it in various forms.

MR. STEWART: There is a reference on page 23 to the drawing of people to the universities from industry in contrast to the opposite process. A number of times in the evidence presented to us there has been the suggestion that perhaps industry is concerned about the situation and the suggestion made that perhaps there is some way in which industry could co-operate with the universities in trying to improve the difficulty of lack of bodies in the next 20 years or so and it has been suggested at least on one occasion that in the technological field, for example, there might be an opportunity for industry to provide instruction by releasing people on a part time basis, something which has been done in law and engineering to a very considerable extent. Do you think there is any possibility there? I am asking this





in the light of the statement I referred to.

DR. FOWKE: The move that you suggest, I think, would be quite new and would have possibilities that we had not formerly considered. Our feeling has been that the demands and the needs of industry and of government are so great that they could release these people only with the greatest difficulty. Now, perhaps that is not so. Perhaps they might feel the problem so acutely that they could contribute towards its solution.

MR. SCOTT: May I say something there, sir? I would think it would change the character of university education to some extent if you had some increased supply of teachers who, in fact, did not consider themselves university people, as it were, simply people who were brought into the university for a brief period. Most people are not really part of a university. Although they might fill a temporary need, we are in the face of a permanent situation.

MR. STEWART: Yes, but there is a possibility that we might catch up a little bit on the situation until the hedge of young people who are now in the high schools have a chance to graduate but the thing that is worrying us is what is going to happen until this increasing number comes forward and we are all competitive perhaps to some extent in the range and more or less fixed number of people of given qualifications. On page 37 ---

MR. GUSHUE: Could I cut in at that point because I had a question on the same point? The



Association seems to be mildly against, if you would like to put it that way, the return of people from government or industry to the university after perhaps several years absence. I take it that is the position?

DR. FOWKE: I should not want to leave the impression ---

MR. GUSHUE: I am looking at page 23. Would you like me to read the point I have in mind? You spoke to the effect that industry and government do raid university teaching staffs and you say?

"Universities find the temptation to return the compliment much less enticing, particularly with the passing of the early after-graduation years."

Does that mean that in the opinion of the Association university graduates lose something of their sense of mission or touch for university work by being in government service or commerce?

DR. FOWKE: This is not based on any statistical calculation, Mr. Commissioner, and I am not giving it any sanction or otherwise. It is based on the observation that senior university people quite frequently go out into other fields of service but simply looking around our campuses we find very few business or government people coming on the staff. We are not saying it is a good thing or bad thing.

MR. GUSHUE: I thought you were saying it was a bad thing.

DR. FOWKE: If I have suggested that to the Commission it was most unfortunate. I had no intention





of doing that.

MR. GUSHUE: The wording was:

"Universities find the temptation to  
return the compliment much less  
enticing ...."

I gathered from that that you were expressing that  
view.

DR. FOWKE: Well, I would qualify those  
words and strike them out if they leave any suggestion  
that we are ---

MR. GUSHUE: I was going to ask if in any  
way they might be re-treaded before they got back to  
university.

MR. STEWART: I just have a couple of  
other questions largely on the section dealing with  
students and I appreciate the comments your organization  
has made on this side of the university problem.

Your analysis of the relations between  
grants and fees did not seem to fit our western  
situation too well. Fees are low there, as you know,  
and have not gone up as considerably and certainly in  
our own situation the grants are a higher proportion  
than they were and fees are a lower proportion. I  
suspect that is not true in eastern universities. You  
have some reference to the problem of selection. It  
seems to me that the general position of university  
people is that in view of the increasing demands and  
needs for the community for well qualified people,  
we cannot meet this onrush of people simply by  
arbitrarily cutting down the numbers. I think that is



a general view. Has your organization discussed the problem of selection? This is an important point bearing on the work of the staff because they might find the pressure of student numbers too much and I wondered if you thought about the selection?

DR. FOWKE: I don't think that has been done at the national level. There have been repeated expressions of the hope that this selective process should not be applied to monetary sanctions but there still is the question of quality and we have not discussed that factually.

MR. STEWART: You emphasized scholarships. I presume you would support a well considered structure of scholarships, bursaries and loans?

DR. FOWKE: Yes.

MR. STEWART: When you refer to scholarships you would import bursaries and loans?

DR. FOWKE: Yes, indeed.

MR. GUSHUE: Dr. Stewart has asked questions I intended to ask very largely but there is one which goes back to his first reference, his reference to administrative and teaching staff. Do I take it from the remarks on pages 6 and 7, I think it is, that generally university teachers are interested in taking a greater part in administration and would be willing to devote a greater proportion of their time to it if that could be done?

DR. FOWKE: Yes, those who have considered the problem seriously have accepted that view of it. It certainly means more work for them.





MR. GUSHUE: That is why I asked you.

DR. FOWKE: Yes.

MR. SCOTT: May I add, sir, that the very rapid growth of the local staff association in the Canadian Association of University Teachers is due to the sense that there are interests not being fully considered or institutions that were not adequately personelled and we have considered the phenomenal speed with which this whole thing has come into being and I am certain it is a permanent part of our university life.

MR. GUSHUE: I would have thought any group of teachers would have regarded any request for assistance in administration as an imposition and an interference with their proper pursuits.

THE CHAIRMAN: Well, Dr. Gushue and Dr. Stewart are charged with the administrative field in the universities and I seem to be the lone representative of any Board of Governors. I would just like to repeat all I said the other day to Dr. Mackintosh. It seems to me that if the position in the community of a university teaching profession is to be changed, as in my opinion it very definitely should be, two things are necessary. One, you have got to get the incomes of the teaching profession up, and secondly, I suggest you have got to encourage members of the teaching profession to be willing to take part in public discussions and to express views on public affairs.

Now, on the latter part, with some very





notable exceptions, I for one would suggest there is not enough of that sort of thing in this country at the present time. Certainly it has been remarkable that relatively few people from the universities have had any views that they wished to express to this Commission, for example, and on the question of income it seems to me that the teaching profession always set their sights too low and if you will allow me to say so, even you have come forward and suggested that the federal grant should be increased from 50 cents to \$1.00 per head.

DR. FOWKE: Minimum.

THE CHAIRMAN: But the university presidents the other day said \$1.50. What I would like to ask is this. You have on page 27, I think it was, set out the present scales of salaries. Have you thought out what you think a proper scale or range would be for each of the named divisions? It seems to me that if that were adequate then we people would have some idea of what the total cost would be to put the salary scale of university teachers on what I would describe as a reasonable level. My case is that the total cost would be so much less than the various proposals that have been made to us in the last several weeks or months that any sensible person would agree that they should be introduced over night. Would I be going a little too far to say that it would not amount to nearly as much in total to put university salaries at the levels that they should be that a lot of people would expect and the only other thing that I would like to suggest



is that your Association should be increasingly vigorous if you want it to be accomplished. I don't want to ask a question about it except that one question, have you thought out what the limits should be?

DR. FOWKE: At different meetings, Mr. Chairman, on the national level, this question of the possibility of striking up a reasonable salary scale for the Association has been discussed and no progress has been made towards it except it comes up repeatedly. One suggestion is made that you probably would need regional variations but immediately there are so many qualifications and there have been so many other things to do immediately that we have not given that the thought we perhaps should have. Perhaps that is the next step.

THE CHAIRMAN: I have not seen anybody come forward with what they think are reasonable scales even for a single university.

MR. SCOTT: There is a kind of implicit formula in what we have presented, sir, with respect to the failure of salaries even in terms of real income to match the 1929 standard and then the second factor that they have not participated in the over-all national market. If you were to bring the existing salaries -- you could take the University of Toronto as an example perhaps with its new scale it has already made up the disparity on the price index but if you were to take the participation in the 60 per cent increase in productivity that has been shared by





other classes of workers you would begin to get an idea of a scale that would put the university teacher relatively in the same position he was in 20 years ago.

THE CHAIRMAN: Was he in the right position 20 years ago?

MR. SCOTT: We have been so anxious in our Association to bring about so many rectifications of errors that perhaps we have not given too much thought to what is the situation today.

THE CHAIRMAN: I know very little about this except in relation to the University of Toronto but I do know that there I have always thought the approach was wrong, that it was an approach trying to catch up and trying to compare. It was a negative approach and it seemed to me if the approach was much more positive -- and after all, it is too late to worry about the unfortunate university teachers who are teachers now -- what you are worrying about now is getting new people in or what we should be worrying about on this Commission anyway, and they are not going to be very much interested, I would not think, in getting salaries 10 or 15 or 25 percent above what they are now. It seems to me if you want to change the position relatively the sights have to be raised quite substantially.

Well, if you ever do agree on a salary scale I wish you would let me know about it.

MR. SCOTT: We have been fighting such a rear-guard action we have not looked ahead to the



offensive action.

THE CHAIRMAN: And I think you are now in a position where if you want to fight an offensive action this is the time that is reasonably appropriate when the demands that are going to be made on the universities are quite obviously increasing, and has been the case since just after the war.

In concluding these public sessions of this Commission I would like to say just one word of thanks to the secretariat of the Commission who have seen us through our proceedings very helpfully and I am very pleased to see Bert McKay in the audience because certainly his son Andy McKay and Maurice Sauve, our two assistant secretaries, have been of tremendous help to us and have supplied us not only with briefs and documents but with all the other things that Commissioners need on their travels across this country. Amongst other things, Mr. Sauve got us to work on time yesterday which was no mean achievement. If you happened to be in Ottawa, you will remember.

We are very grateful to Major LaFrance who has been primarily responsible for moving us about. I won't say anything about Mr. LePan because as everybody knows he is to all intents and purposes an ex-officio member of the Commission and without him we would come to a full stop and would have done so long ago. He has got one or two things he wishes to say before we conclude the proceedings.

MR. LePAN: Thank you very much, Mr. Chairman, for those final remarks particularly as





they apply to Major LaFrance, Mr. McKay and Mr. Sauve.

As you are aware, we have received a number of briefs over and above those which have been presented at the public hearings. It would seem appropriate that these should be recorded in the proceedings of the Commission and for that purpose they have been sorted out into three lists. The first is a list of briefs that have been received supplementing briefs we have had presented by organizations and associations at the public hearings. The second list sets out briefs that have been received from organizations and associations that have elected not to appear before you and your associates at public hearings. The third is a list of unsolicited submissions from individuals and with your permission, Mr. Chairman, I should like to have these three lists recorded in the transcript of the proceedings and for that purpose would hand them to the reporter.

THE CHAIRMAN: Thank you. Well, we will adjourn until May.

PUBLIC SITTINGS CONCLUDED

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- List I - Supplementary submissions and documents filed in supplement to briefs which have already been marked as exhibits.
- 24-A "Processing of Agricultural products in Manitoba - Supplement to the Submission to the Royal Commission on Canada's Economic Prospects by The Government of the Province of Manitoba - November, 1955"
- 24-B "Financing of Small Business in Manitoba - Supplement to the Submission to The Royal Commission on Canada's Economic Prospects by The Government of the Province of Manitoba - November, 1955"
- 35-C "Province of Saskatchewan Royal Commission on Agriculture and Rural Life - 1. The Scope and Character of the Investigation"
- 35-D "Province of Sasktatchewan Royal Commission on Agriculture and Rural Life - 3. Agricultural Credit"
- 35-E "Province of Saskatchewan Royal Commission on Agriculture and Rural Life - 4. Rural Roads and Local Government."
- 35-F "Province of Saskatchewan Royal Commission on Agriculture and Rural Life - 5. Land Tenure"
- 38-A "Supplement to Brief to the Royal Commission on Canada's Economic Prospects - L.B.Thomson, Director, P.F.R.A., Regina, Saskatchewan - December 15, 1955"
- 61-A "Canadian Petroleum Association - A Supplementary Submission to the Royal Commission on Canada's Economic Future with respect to Income Tax Applicable to the Oil and Gas Industry in Canada - dated February 17, 1956"
- 140-A "The Royal Commission on Canada's Economic Prospects, supplement to a brief presented by Richard L. Hearn, B.A.Sc., D.Eng., - Chairman, Ontario Hydro, January, 1956."
- 171-A "Summary of Dollar Sterling Trade Council Brief to the Royal Commission on Canada's Economic Prospects - James S. Duncan, C.M.G., Chairman of the Council, Chairman and President, Massey-Harris-Ferguson Limited - February 2nd, 1956"
- 199-A "Supplement to a Brief to the Honourable Members of the Royal Commission on Canada's Economic Prospects by the Canadian Forestry Association"



LIST II - Submissions received to date which have not yet been filed as exhibits.

- 269 "Submission by the Newfoundland Fisheries Development Authority to the Royal Commission on Canada's Economic Prospects - February, 1956"
- 270 "Submission to the Royal Commission on Canada's Economic Prospects by the Newfoundland Fish Trades Association of Newfoundland - February 1956"
- 271 "Submission by Newfoundland Associated Fish Exporters Limited to Royal Commission on Canada's Economic Prospects"
- 272 "Submission of Newfoundland Branch, Canadian Manufacturers' Association, Inc., to The Royal Commission on Canada's Economic Prospects - St. John's, Newfoundland - February, 1956"
- 273 "Submission by the Vice-President for Newfoundland of the Atlantic Provinces Economic Council, Arthur Johnson - to the Royal Commission on Canada's Economic Prospects"
- 274 "The Economy of the Area of Greater Saint John - A Brief presented by the Saint John Board of Trade to the Royal Commission on Canada's Economic Prospects, Saint, John, N.B."
- 275 "Submission to the Royal Commission on Canada's Economic Prospects by Canadian Pulp and Paper Association (Western Division) - January 10, 1956"
- 276 "Submission of Western Canada Reclamation Association to the Royal Commission on Canada's Economy"
- 277 "Submission by The Medicine Hat Chamber of Commerce"
- 278 "Submission by Saskatchewan Motor Dealers' Association - February 24, 1956."
- 279 "Brief to the Royal Commission on Canada's Economic Prospects submitted by The British Columbia Chamber of Commerce - Vancouver, B.C., - January 1956"
- 280 "Brief to Chairman and Members, Royal Commission on Canada's Economic Prospects, Ottawa, Canada" - The Retail Merchants' Association (Saskatchewan) Incorporated.







LIST II - Submissions received to date which have not yet been filed as exhibits (Continued)

- 281 "Brief to the Royal Commission on Canada's Economic Prospects submitted by the Vancouver Board of Trade"
- 282 "Submission to The Royal Commission on Canada's Economic Prospects by The Inter-provincial Farm Union Council - March, 1956"
- 283 "Submission of The North-West Line Elevators Association on Equality of Taxation to The Royal Commission on Canada's Economic Prospects"
- 284 "A Brief submitted to the Royal Commission on Canada's Economic Prospects by The Yellowknife District Miners' Union, Local 802, International Union of Mine, Mill and Smelter Workers (Canada) - Yellowknife, N.W.T."
- 285 "Submission to the Royal Commission on Canada's Economic Prospects by The California Standard Company"
- 286 "Brief to the Royal Commission on Canada's Economic Prospects - from Canadian Association of Equipment Distributors"
- 287 "Brief to The Royal Commission on Canada's Economic Prospects - submitted by The Town Planning Institute of Canada"
- 288 "Representations of the Canadian Truck Trailer Manufacturers Association to the Royal Commission on Canada's Economic Prospects - Ottawa - February, 1956"
- 289 "Brief to the Royal Commission on Canada's Economic Prospects presented for Committee Examining Need for Engineering Society  
Proposed to be called: 'The Chartered Engineers of Ontario'"
- 290 Submission presented by McPhar Geophysics Limited - February 16, 1956
- 291 "Memoire sur la Conservation des Forets dans la Province de Quebec presente a la Commission Royale d'Enquete sur Les Perspectives Economiques du Canada par L'Association Forestiere Quebecoise Inc. - Febrier 1956"



LIST II - Submissions received to date which have not yet been filed as exhibits (continued)

- 292 "Memoire sur les Recherches Forestieres dans La Province de Quebec present a las Commission Royale D'Enquete sur les Perspectives Economiques du Canada par La Faculte d'Arpentage et de Genie Forestier et Le Fonds de Recherches Forestieres de L'Universite Laval, Janvier 1956"
- 293 Brief submitted on behalf of The Canadian Association of Radio and Television Broadcasters - February 28, 1956.
- 294 "The Canadian Industrial Traffic League (Incorporated) - Submission to the Royal Commission on Canada's Economic Prospects, January 31st, 1956"
- 295 "Statement by W.A.Wecker, President, General Motors of Canada, Limited, submitted to The Royal Commission on the Economic Prospect, Toronto, Ontario, February, 1956"
- 296 "A Submission to The Royal Commission on Canada's Economic Prospects - Regarding the increases in construction costs which the Royal Commission has been advised are due to tendering practices - by the National Association of Master Plumbers and Heating Contractors of Canada, Inc."
- 297 "Some Results of Anticipated Increases in the Speed of Commercial Air Transport on Canadian Transportation Systems and Industry of the next Quarter of a Century" submitted by E.G.MacGill, P.Eng.,"



LIST III - Submissions received from Individuals

- 298 "Economy" Mr. T. R. Bleiler,  
Mr. J. W. Goodall.
- 299 "An Examination of Canada's External Trade  
and the Probable Future Effect on Canada's  
Economic Development -- a Submission to  
The Royal Commission on Canada's Economic  
Prospects" - E.L.R. Williamson, M.B.E.,  
B.P.A., F.R. Econ.S.
- 300 "Brief submitted to The Royal Commission on  
Canada's Economic Prospects - in respect to  
a Protective Tariff and its Effect on the  
Canadian Economy"- R.P.Sparks
- 301 "Submission to the Royal Commission on  
Economic Planning dealing specifically with  
the Wheat Marketing Problem" - submitted by  
Geo. Bevington and H. E. Nichols.
- 302 "The Perry Recovery Plan" - submission of  
Mr. P. J. Perry
- 303 Submission of Walter K. Cross
- 304 Submission of W.T.House
- 305 Submission of C. M. Campbell
- 306 Submission of D.F. MacRae
- 307 Submission of David Peddie
- 308 Submission of P. Ackerman, P. Eng.
- 309 Submission of C.R.Anderson, F.R.Chapman, Jr.,  
and Associates.















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